

# **AN INVESTIGATION INTO THE CO-PRODUCERS OF PREFERRED STRATEGIC BEHAVIOUR IN SMALL, MICRO AND MEDIUM TOURISM ENTERPRISES IN SOUTH AFRICA**

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**DECLARATION**

I, Dimitri Tassiopoulos, declare that this study is my own and original work, that all sources have been accurately reported and acknowledged and that this document has not previously, in its entirety or in part, been submitted at any university in order to obtain an academic qualification.

A handwritten signature in black ink, appearing to read 'Dimitri Tassiopoulos', with a long, sweeping horizontal stroke extending to the right.

Dimitri Tassiopoulos

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## ABSTRACT

The South African tourism industry has undergone transformation with numerous “windows of opportunity” having been opened for tourism entrepreneurs. The South African small, micro and medium tourism enterprises (SMMTE) sector, however, faces numerous challenges. To ensure long-term sustainability, according to Whittle (2000: 8), the owners of SMMTEs need to make efficient and effective business decisions about the internal and external threats and challenges their businesses face. This will ensure that they have sufficient strategic information on which to base decisions in order to maintain their competitive advantage in the tourism industry.

**Motivation/problem statement:** Small business planning behaviour is described as unstructured, irregular and incomprehensive. This characterises SMMTE strategising as incremental, sporadic and reactive. A clear need for strategic planning and management coordination of SMMTEs is identified in the light of increasing competition in the tourism industry and the dominance of large international companies in most sectors of the tourism industry (Cooper & Buhalis, 1996: 101).

This study examines determinants of strategic behaviour through a sample frame of formally registered SMMTEs in South Africa. Because of the importance of the issue for a developing economy such as South Africa, the study contributes toward an improved understanding of strategic determinants of sustainable business performance at SMMTE level.

It is against this background that the study examines the extent to which linkages or relationships can be established between the characteristics or attributes that are unique to SMMTE owners and manifestations of strategic behaviour. The overall research question in this study is: *Do relationships exist between the attributes of SMMTE owners and strategic behaviour?*

**Methods/procedure/approach:** The research design for the proposed study primarily involves descriptive and explanatory research. The purpose of using this methodology is to determine predictors of strategic behaviour of SMMTEs in South Africa. Primary and

secondary data gathering methods are used in this study. The target-sampling frame is the formally registered SMMTEs in South Africa, and the research sample is determined through using a systematic random sampling method, stratified by province. The study focuses on two elements, namely profile attributes of the SMMTE owner and preferred strategic behaviour that has manifested within the SMMTE. The possible preferred relationship between these two elements is addressed from a theoretical perspective with the basic premise that some of the manifestations of the SMMTE owners' strategic behaviour have a better likelihood of success. On the basis of this conceptual framework, the development of a suitable data-gathering instrument is discussed and developed to determine the degree of SMMTE strategic behaviour in the ventures.

**Results/findings/product:** The descriptive statistical aspect of the research is discussed in detail. The business characteristics, profiles of the typical attributes or traits of the SMMTE owners, as well as their demographic profiles are discussed in detail. This study further investigates a possible relationship between strategic behaviour (the dependent variable) and entrepreneurial attributes (independent variables) using inferential statistics. The relationships and constructs, as depicted in the *a priori* model, are empirically tested by means of various statistical techniques:

- Reliability testing of the data set is conducted (ref. Section 7.5);
- The validity of the research instrument is determined (ref. Section 7.6);
- The reliability of the new constructs after exploratory factor analysis is determined (ref. Section 7.6.2);
- The relationships between the selected variables are investigated through Spearman's *rho* and ANOVA (ref. Section 7.7); and
- The relationships between the selected variables of the hypothesis are further investigated (ref. Section 7.7.2) through regression analysis.

The research results support an overall statistically significant association between the independent and dependent variables, and the acceptance of the alternative hypothesis (and the rejection of the null hypothesis), namely that there is an association between certain attributes of the owners of the SMMTEs (which is characterised by locus of control, reasons for starting a business, holistic capabilities, formal management education and prior experience) and preferred strategic behaviour. However, the research findings do not

support an overall statistically significant association between the risk propensity independent variable and strategic behaviour dependent variables. Consequently the following null sub-hypothesis (ref. Section 7.2.2) is accepted: There is no relationship between risk propensity and strategic behaviour.

**Conclusion/implications:** The study makes various recommendations for further research (ref. Section 8.5.1) and explains the practical implications (ref. Section 8.5.2) thereof.

The findings of this study have identified entrepreneurial attributes that have a significant association with strategic behaviour and have made a contribution toward the largely under-researched subject of the role of strategy in entrepreneurship. The study has further applied this to a largely under-researched economic sector in South Africa, namely tourism.

The results in this study have produced a foundation for further analysis of the attributes of SMMTE entrepreneurs and the manifestation of strategic behaviour in SMMTEs.

## OPSOMMING

Die Suid-Afrikaanse toerismebedryf is getransformeer en dit het talle geleenthede vir toerisme-entrepreneurs in dié bedryf laat ontstaan. Die sektor vir klein, mikro- en middelgrootte toerismeondernemings (KMMTO's) in Suid-Afrika staan egter voor talle uitdagings. Om volhoubaarheid op lang termyn te verseker, moet die eienaars van KMMTO's volgens Whittle (2000: 8) doeltreffende en doelmatige sakebesluite neem oor die interne en eksterne bedreigings en uitdagings waarvoor hul ondernemings te staan kom. Dit sal verseker dat hulle oor voldoende strategiese inligting beskik waarop hulle besluite kan grond sodat hulle 'n mededingende voordeel in die toerismebedryf kan volhou.

**Motivering/probleemstelling:** Die beplanningsgedrag van klein ondernemings word as ongestruktureerd, onreëlmatig en onvolledig beskryf. Dit tipeer die strategiese beplanning van KMMTO's as inkrementeel, sporadies en reaktief. 'n Duidelike behoefte aan strategiese beplanning en bestuurskoördinerings word by KMMTO's geïdentifiseer in die lig van groter mededinging in die toerismebedryf en die oorheersing van groot internasionale maatskappye in die meeste sektore van die toerismebedryf (Cooper & Buhalis, 1996: 101).

Hierdie studie ondersoek die bepalers van strategiese gedrag deur middel van 'n steekproefraamwerk van formeel geregistreerde KMMTO's in Suid-Afrika. Omdat hierdie kwessie vir 'n ontwikkelende ekonomie soos dié van Suid-Afrika belangrik is, dra die studie by tot 'n beter begrip van die strategiese bepalers van volhoubare sakeprestasie op KMMTO-vlak.

Dit is die agtergrond wat die studie gebruik om vas te stel tot watter mate daar verwantskappe of verhoudings bestaan tussen die kenmerke of eienskappe wat uniek aan KMMTO-eienaars is en die manifestering van strategiese gedrag. Die oorkoepelende navorsingsvraag in hierdie studie is: *Bestaan daar verwantskappe tussen die kenmerke van KMMTO-eienaars en strategiese gedrag?*

**Metodes/prosedure/benadering:** Die navorsingsontwerp vir die voorgestelde studie behels hoofsaaklik beskrywende en verduidelikende navorsing. Die doel van die gebruik



van hierdie metodologie is om die voorspellers van strategiese gedrag van KMMTO's in Suid-Afrika te bepaal. Primêre en sekondêre metodes van datainsameling is in die studie gebruik. Die steekproefraamwerk bestaan uit formeel geregistreerde KMMTO's in Suid-Afrika en die navorsingsteekproef is bepaal deur 'n sistematiese ewekansige steekproefmetode te gebruik wat volgens provinsie gestratifiseer is. Die studie lê klem op twee elemente, naamlik die profielkenmerke van KMMTO-eienaars en die voorkeur strategiese gedrag wat in die KMMTO manifesteer. Die moontlike voorkeurverhouding tussen hierdie twee elemente word vanuit 'n teoretiese perspektief beskou met die basiese uitgangspunt dat sommige manifestasies van die KMMTO-eienaars se strategiese gedrag 'n beter kans op sukses het. Die ontwikkeling van 'n toepaslike datainsamelingsinstrument word op grond van hierdie konseptuele raamwerk bespreek en ontwikkel om die graad van strategiese gedrag in die ondernemings te bepaal.

**Resultate/bevindings/produk:** Die beskrywende statistiese aspek van die navorsing word breedvoerig bespreek. Die besigheidskenmerke, profiele van die tipiese kenmerke of eienskappe van die KMMTO-eienaars sowel as die demografiese profiele van die KMMTO-eienaars word ook breedvoerig bespreek. Hierdie studie ondersoek ook 'n moontlike verwantskap tussen strategiese gedrag (die afhanklike veranderlike) en entrepreneurskenmerke (onafhanklike veranderlikes) met behulp van inferensiële statistiek. Die verhoudings en konstrakte, soos in die *a priori*-model uitgebeeld, word empiries deur middel van verskeie statistiese tegnieke getoets:

- Betroubaarheidstoetsing van die datastel word uitgevoer (verw. Afdeling 7.5);
- Die geldigheid van die navorsingsinstrument word bepaal (verw. Afdeling 7.6);
- Die betroubaarheid van die nuwe konstrakte word ná verkennende faktorontleding bepaal (verw. Afdeling 7.6.2);
- Die verhoudings tussen die geselekteerde veranderlikes van die hipotese word met Spearman se *rho* en ANOVA (verw. Afdeling 7.7) getoets; en
- Die verhoudings tussen die geselekteerde veranderlikes van die hipotese word verder (verw. Afdeling 7.7.2) deur regressieontleding getoets.

Die navorsingsresultate ondersteun 'n oorkoepelende en statisties beduidende verband tussen die onafhanklike en afhanklike veranderlikes, en die aanvaarding van die alternatiewe hipotese (en die verwerping van die nulhipotese), naamlik dat daar 'n verband

is tussen sekere van die eienskappe van die KMMTO-eienaars (wat gekenmerk word deur lokus van beheer, redes vir die vestiging van 'n besigheid, konseptuele/perseptuele vermoëns, formele bestuursopleiding en vorige ondervinding) en voorkeur strategiese gedrag. Die navorsingsbevindinge ondersteun egter nie 'n oorkoepelende statisties beduidende verband tussen risikogeneidheid as onafhanklike veranderlike en strategiese gedrag as afhanklike veranderlikes nie. Die volgende nulsubhipotese (verw. Afdeling 7.2.2) word dus aanvaar: Daar is geen verwantskap tussen risikogeneidheid en strategiese gedrag nie.

**Gevolgtrekking/implikasies:** Die studie maak verskeie aanbevelings vir verdere navorsing (verw. Afdeling 8.5.1) en verduidelik die praktiese implikasies hiervan (verw. Afdeling 8.5.2).

Die bevindinge van hierdie studie identifiseer die entrepreneurskenmerke wat 'n beduidende verband met strategiese gedrag toon en wat 'n bydrae lewer tot die rol van strategie in entrepreneurskap – 'n onderwerp wat nie voldoende nagevors is nie. Die studie pas dit ook toe op toerisme – 'n ekonomiese sektor in Suid-Afrika wat ook nie voldoende nagevors is nie.

Die resultate van hierdie studie vorm 'n grondslag vir die verdere ontleding van die eienskappe van KMMTO-entrepreneurs en die manifestering van strategiese gedrag in KMMTO's.

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## LIST OF ACRONYMS

ANOVA	analysis of variance
BBBEE	broad-based black economic empowerment
BEE	black economic empowerment
CFA	confirmatory factor analysis
CIPRO	Companies and Intellectual Property Registration Office
CRS	central reservations systems
CSP	community, social and personal
DBSA	Development Bank of Southern Africa
DEAT	Department of Environmental Affairs and Tourism
DTI	Department of Trade and Industry
EFA	exploratory factor analysis
EU	European Union
GDP	gross domestic product
GEM	Global Entrepreneurship Monitor
IBOS	International Business Owners Survey
IDC	Industrial Development Corporation of South Africa Ltd
KZN	Kwa-Zulu Natal
LED	local economic development
NBI	National Business Initiative
NLPEs	non-levy paying entities
NSBA	National Small Business Act
PAMSS	Postal Address Management Service Supplier
SARS	South African Revenue Service
SB	strategic behaviour
SBP	small business project
SDI	Spatial Development Initiative
SEDA	Small Enterprise Development Agency
SIC	standard industrial classifications
SMME	small, micro and medium enterprises
SMMTE	small, micro and medium tourism enterprises

SPSS	Statistical Package for Social Sciences
TEA	total entrepreneurship activity
THETA	Tourism, Hospitality and Sport Education and Training Authority
TSA	Tourism Satellite Accounts
UNWTO	World Tourism Organisation
US	United States
VAT	value-added tax

## **CHAPTER 1**

### **INTRODUCTION AND STATEMENT OF PROBLEM**

#### **1.1 INTRODUCTION**

This chapter outlines the background to the study. Furthermore, it introduces the objectives of the study and outlines the basic methodology that is used to answer the research problem. It consists of twelve sections. In the first half of the chapter, the rationale for the study is introduced. In the second half of the chapter, the research methodology, scope and plan of action of the study are presented.

#### **1.2 BACKGROUND TO THE STUDY**

Entrepreneurship can be defined in many ways; however, in essence entrepreneurs conceive, gather resources, organise and run businesses (Van Aardt & Van Aardt, 1997: 7). Governments, according to Nieman (2006: 3), underscore the importance of entrepreneurship as a mechanism for job creation, innovation and long-term development of economies.

The South African tourism industry has undergone transformation with numerous “windows of opportunity” having been opened for tourism entrepreneurs. Saayman and Slabbert (2001: 10-12) and Makhitha (2001: 5) have identified some of these: the lifting of sanctions against South Africa opened new markets for the tourism industry; previously inaccessible markets, such as the Far East and the rest of Africa, became available for entrepreneurial activity; the liberation of South Africa’s international aviation policy and the expansion of the country’s air traffic capacity; the paradigm shift toward globalisation; the increased support of Government in the provision of sufficient tourism infrastructure; Spatial Development Initiatives (SDI’s) have had a direct and positive impact on developing tourism in key geographical areas; and, negotiations between South Africa and other Southern African countries have resulted in more co-ordinated co-operation with regard to regional packaging and marketing initiatives.

The South African small, micro and medium tourism enterprises (SMMTE) sector, however, faces numerous challenges of which some are: financing challenges that include the shortage of funds and the lack of knowledge with regard to accessing funding; a lack of experience; a lack of managerial knowledge that includes the lack of management skills; and the lack of knowledge regarding tourism trends and existing opportunities in the tourism industry. These are viewed by Saayman and Slabbert (2001: 16) as some of the main reasons for tourism business failure. There are an increasing number of business failures every year (Mostert, 1993: 17). The failure of small, micro and medium enterprises (SMMEs) can have serious consequences for the people involved with the affected businesses. Such failures contribute to increasing unemployment, which already is an enormous problem in South Africa, with serious social, environmental and economic impacts for the employees, their families and the communities involved. All possible attempts to prevent more such failures need to be made (Mostert, 1993: 17), unless, for example, the ventures have been deemed not to be viable and have to cease operating in the market. It is estimated by Van Eeden, Viviers and Venter (2001: 1) that the failure rate of SMMEs is between 70 and 80 percent and that millions of Rand are being lost in business because of essentially avoidable mistakes and challenges. The research indicates that though the business owners have good ideas and are competent, they do not know how to run a business and do not understand the fundamentals of business.

The sustainability of tourism enterprises differs for various forms of enterprises and according to Saayman and Slabbert (2001: 9) micro and small enterprises in the tourism industry tend to be less sustainable than medium enterprises. If South Africa needs to create sustainable employment, especially in the tourism sector, the issue of sustainability needs to be underscored. Furthermore, if the concept of increasing black ownership of tourism business is a priority, there must be emphasis on building sustainable tourism businesses. Saayman and Slabbert (2001: 10) indicate that medium tourism enterprises create more employment than small and micro-enterprises but invariably cost more to develop. It is suggested by Morris, Jones and Nel (1997: 83-84) that the SMMTE sector accounts for as much as 85 percent of new job creation in countries where research has been conducted on this topic. Further, entrepreneurship is viewed as a major source of (tourism) economic dynamism within capitalist economies. To ensure long-term sustainability, Whittle (2000: 8) argues that the owners of

SMMTEs need to make efficient and effective business decisions about the internal and external threats and challenges their businesses face to ensure that they have sufficient strategic information to make decisions and maintain their competitive advantage in the tourism industry.

### **1.3 PROBLEM STATEMENT**

Small business planning behaviour, according to Sexton and van Auken (1982: 21) and Kiriri (2005: 3), could be described as unstructured, irregular and incomprehensive. This characterises SMMTE strategising as incremental, sporadic and reactive. Argenti (as in Thomas, 1998: 212) states: “all organisations make strategic decisions and have done so since the dawn of history ... strategic decisions can be taken carefully or negligently, deliberately or haphazardly or systematically”. Over the last few decades, strategic management has become an important field of study. Despite its relevance to all organisations, most research is focused on larger organisations and has virtually ignored SMMTEs. Such neglect creates the impression that strategic management is for businesses listed on the stock exchange only. Most SMMTEs have further given credibility to such generalisations as they believe strategic management is not relevant to them and that many SMMTEs are ignorant of the value of anticipatory decision making. Owners of SMMTEs create the impression that they are not aware of the potential of strategic planning and do not appreciate the value of spending time and effort on such activity (Edoho, 1994: 1). Although research focussing on SMMTEs has increased substantially in the last decades, as indicated by Gimenez (2000: 237), that the approach remains fragmented in the study of strategy formulation of SMMTEs. In the domain of strategy, numerous concepts are used. It is however important to draw a clear distinction between the concept of strategic planning and the concept of strategic behaviour. The distinction or relationship, according to Lazenby (1999: 2), between these two concepts, is not clear in the literature. Strategic planning is often used to refer to programmatic, analytical thought processes, and strategic behaviour is linked to creative, divergent thought processes. It is in this sense that strategic behaviour fits into the entrepreneurial processes, because innovation and creativity are crucial parts of entrepreneurship.

It is argued by Bridge and Peel (2000: 1) that since smaller enterprises tend to apply informal processes to enhance planning effectiveness, formal measures (for example, written documentation) may be inappropriate for such businesses. It is noted that the effective planning systems for SMMTEs do not emphasise the need for written documentation and formal procedures. Some authors' view is that it is tactical and operational decisions that dominate. Planning is only viewed as a higher order business activity that often leads to improved profits and sales performance. Similarly, strategic planning is still relatively unknown in many tourism businesses. Management of such businesses is often seen to suffer because of inadequate education, ignorance of modern management and marketing techniques and a lack of strategic planning. This is seen as particularly important for the tourism industry, where demand is volatile, the product is perishable and supply requires much fixed investment. As the tourism market matures, SMMTEs will be competing in an increasingly tough and discerning market (Cooper, Fletcher, Gilbert, Shepherd & Wanhill, 1998: 104, Buhalis, 1994: 259 and Buhalis & Cooper, 1998: 324).

Globalisation has hit SMMTEs very hard and as many destinations are dependent on tourism, it is critical to ensure that these businesses are adequately prepared to cope with the new economic order (Smeral, 1998: 379). The rapid growth of the international tourism industry has increased the professionalism required in the market to survive. SMMTEs seem to be the most vulnerable members of the industry and therefore need to seek competitive advantages to compete in the international arena, maintain their market share and grow their businesses (Buhalis, 1994: 260-1, and Cooper, 1992: 105). "Planning is essential at the destination to maintain quality and integrity of the resource; enhance the visitor experience; and provide a flow of benefit to the society" (Cooper, 1992: 105). SMMTEs and destinations that fail to serve and facilitate the transformation of tourism demand will be marginalised and suffer losses in market share.

A clear need for strategic planning and management co-ordination of SMMTEs is identified in the face of increasing competition in the industry and the dominance of large international companies in most sectors of the tourism industry (Cooper & Buhalis, 1996: 101). The problem lies in determining the degree of strategic behaviour tourism entrepreneurs employ, if any, and ways of devising a method to encourage such behaviour as part of normal business operations

and not only when compiling a business plan for the business. There are three key influences, according to Thomas (1998: 208), which play a role in the growth rate of SMMTEs: the background and access to resources of the entrepreneurs, the business itself, and the strategic decisions taken by the business once it is in operation.

Gimenez (2000: 237) underscores that most studies deal with narrowly defined aspects of strategy content with more integrative frameworks having adopted the Miles and Snow (1978) framework to study the strategic behaviour of SMMTEs. The Miles and Snow (1978) typology of competitive strategies, indicates Gimenez (2000: 237), is a well-researched taxonomy that is widely used and classifies SMMEs into four theoretical categories, and predicts their strategic competitive behaviour on the basis of their classification as a defender, prospector, analyser or reactor SMME.

The argument in this study is that strategic behaviour is important for SMMTEs. It will help the SMMTEs to cope with change, as change is vital and inevitable in a business to survive and grow. Strategic behaviour is about dealing with the future and appropriate direction that an owner of an SMMTE should take.

It is against this background that the current study will be conducted with the aims outlined in Section 1.4.

## **1.4 AIMS OF THE STUDY**

This research endeavours to establish the potential linkages or relationships between the characteristics or attributes of SMMTE owners and the manifestation of strategic behaviour.

### **1.4.1 The primary aim of the study**

To investigate the strategic behaviour in SMMTEs with particular emphasis on determining which variables co-produce preferred manifestations of strategic behaviour in these enterprises because the preferred strategic behaviour of the SMMTE has a higher likelihood to translate into preferred final outcomes – depending on the attributes of the entrepreneurs.



Co-produced in the context of this study refers to the reality that a number of elements, in dynamic interrelationship with each other, co-produce strategic behaviour. Each of such elements is crucial but not sufficient on their own. The sufficiency stems from the dynamic interaction with other crucial elements, and, it is the dynamic interrelationship between such crucial elements, which co-produce preferred strategic behaviour.

#### **1.4.2 The secondary aims of the study**

In order to address the primary aim of the study, as indicated in Section 1.4.1, the following secondary aims were identified for the study:

- i. the identification of attributes of SMMTE owners that co-produce preferred strategic behaviour; and
- ii. the identification of co-produced preferred strategic behaviour in SMMTEs.

### **1.5 RESEARCH QUESTION**

The overall research question in this study was identified:

*Do relationships exist between the attributes of SMMTE owners and strategic behaviour?*

### **1.6 RESEARCH METHODOLOGY**

#### **1.6.1 Research design**

The research design is a plan for providing a sound, and, if possible, convincing answer to the research question. Designs vary greatly, according to Burchinal (2008: internet), depending on the research question being addressed and the methods of data collection the study will use. Creating a design starts with the purpose of the research. “Most research is done for one of three purposes. The most common purpose is to *describe* some set of variables or relationships among them as accurately as possible. Other purposes of research are to *explore* a topic to learn more about it or to *explain* why certain social patterns or relationships occur as they do. Some studies combine more than one purpose” states Burchinal (2008: internet).

The research design for the proposed study involved primarily descriptive and explanatory research. “Descriptive research”, states Burchinal (2008: internet), “is more specific and focused than exploratory research. The researcher starts with a well defined problem or research question and a clearly defined plan for collecting and analyzing data”. “Explanatory research”, continues Burchinal (2008: internet), “goes beyond exploratory or descriptive research by trying to find the reasons why certain relationships occur. It seeks to provide explanations for what has been observed. Explanations are based on interpretation of findings in terms of broader concepts and accepted theory”.

### **1.6.2 Research methods**

The purpose for employing the following methodology was to determine co-producers of preferred strategic behaviour in SMMTEs of South Africa. To fulfil the aims, outlined in Section 1.4, the following research methods or processes were employed:

- i. to review secondary data of strategic behaviour models;
- ii. to review the literature on the subject;
- iii. to design and administer questionnaires, checklists and scales;
- iv. to analyse and interpret the findings; and
- v. to disseminate the results.

The research design included the following:

- i. a study of formally registered SMMTEs in South Africa to determine the demographic characteristics of the target population;
- ii. the identification of the elements that contribute toward preferred strategic behaviour resulting in enhancing the probability of success of the SMMTEs; and
- iii. the identified elements entered into an *a priori* model in order to determine the expected relationship of the strategic behaviour variables.

### 1.6.3 Data collection methods

Primary and secondary data gathering collection methods were used in this study:

#### 1.6.3.1 Primary data

The study has a quantitative nature. The primary data collection method was mailed questionnaires and telephone follow-ups. The research design was survey design.

#### 1.6.3.2 Secondary data

In order to develop an *a priori* model for the empirical part of the study, the following sources of information were considered to supplement the selected research method detailed elsewhere:

- i. statistics from public documents and official records, for example, the South Africa Government Online website, Statistics South Africa, Small Enterprise Development Agency (SEDA), NTSIKA Enterprises Promotions Agency; and
- ii. literature resources such as conference proceedings, research reports, journal articles, books, amongst other.

### 1.6.4 Sampling

In comparison to other economic sectors, such as agriculture, manufacturing or mining for which there is considerable official data at national level, the tourism industry is distinguished, at the time of writing, by almost nonexistent national official data, apart from sporadic and piecemeal attempts at local and provincial level. The target-sampling frame was SMMTEs in South Africa which could be categorised as formal and active entities registered with the Companies and Intellectual Property Registration Office of South Africa (CIPRO) and known by the South African Revenue Service (SARS).

It was further determined that there was no comprehensive national database for formally registered SMMTEs in South Africa. There were, however, numerous commercial, or trade, publications, for example, the Automotive Association Accommodation Guide; and, professional

association membership guides / directories, for example, Southern African Tourism Services Association, and, non-commercial sources, for example, South African Tourism's Indaba Exhibitor Hand-guide that were considered for compiling a research sample. It was however noted that most of these aforementioned publications utilise differing classification methods for the inclusion of businesses within their publications, making the compilation of a single SMMTE database extremely difficult, if not impossible. Furthermore, databases from commercial database service providers, such as the Introye Corporation, were available for purchase.

#### **1.6.5 Delimitations of the study**

Delimitations deal with the characteristics that *restrict the scope* (or define the boundaries) of the study that may have been determined by conscious exclusionary or inclusionary decisions (Cline, 2009: internet). The following delimitations, or demarcations, for the study were identified:

- i. The focus of the study is primarily on the SMMTE owner attributes and the manifestation of strategic behaviour within the SMMTE and is not focussed on the final outcomes, in terms of success or failure (success or failure is not established, due to contradictory findings in the literature and thus falls outside the scope of this study).
- ii. The results of the study would have to be considered in the context of the formally registered South African SMMTE sector where various dimensions have an impact. These dimensions can be defined as the geographical location, size and composition of SMMTEs; local and national policy affecting SMMTEs; and the availability and access to support services and resources. Consequently, SMMTEs in the informal sector, as well as, failed SMMTEs were not included in this study.
- iii. The study only considers the strategic behaviour of formally registered SMMTEs.
- iv. The study utilises question items that measure owner attributes that have been derived from other instruments that have been previously validated by other researchers.
- v. The study includes SMMTEs that span the entrepreneurial continuum that ranges from *independent entrepreneurship to intrapreneurship (or business managers)*.

### **1.6.6 Limitations of the study**

Limitations deal with the *characteristics of design or methodology* that may affect the results of the study or how they are applied or interpreted; that is, they restrict the *generalisability and utility of findings* (that establish internal and external validity) (Cline, 2009: internet). The following limitations, or weaknesses, of the study are identified:

- i. The number of usable questionnaires being returned by respondents may result in certain provinces being under-sampled and other over-sampled from the specific sample frame of the study.
- ii. The limited comparability of this study's results with the results of other similar studies, due to the dearth of empirical data on the research topic, within the South African context.
- iii. The limited availability of recently published local and national statistics that is relevant to SMMTEs in South Africa.
- iv. Due to the relatively small size of the useable target sample available for the study, the results may not be generalisable beyond the specific sample frame from which they were drawn.

## **1.7 RATIONALE FOR THE STUDY**

This study examined determinants of strategic behaviour through the use of a sample frame of SMMTEs in the formal tourism industry of South Africa. The study contributes toward an improved understanding of the strategic determinants of successful SMMTE performance because of, according to Neiman (2006: 3) and Maas (1996: 1), the importance of such enterprises as a mechanism for job creation, innovation and long-term sustainable development, for a developing country economy such as South Africa. This should however be supported by an appropriate growth orientation as it is normally in growth orientated SMMTEs where it can be expected that significant job creation will occur.

## **1.8 SIGNIFICANCE OF THE STUDY**

The first democratic post-apartheid election of 1994 brought about political liberation for the majority of South Africans and has South Africa on the path of renewal and transformation. The

results of the study provide suggestions for the extent to which linkages and similarities can be established between the attributes unique to SMMTE owners and the manifestation of strategic behaviour. Strategic behaviour is about dealing with the future and appropriate direction that an owner of an SMMTE should take.

This study provided various significant outputs:

- i. the **generation of knowledge** for further use by the Research Community;
- ii. **guide and influence government policy** on SMMTEs and so contribute toward wealth creation and the alleviation of poverty;
- iii. promote **change in business practices** of the SMMTE industry;
- iv. **dissemination of empirical** information through publications, peer-reviewed conference papers, theses and so forth; and
- v. personal and academic **growth**.

## 1.9 ORGANISATION OF THE STUDY

The study is divided into two main sections. The first section (Chapters one to four) is concerned with in-depth review of SMMEs and SMMTEs in South Africa; and, a review of strategic behaviour and entrepreneurship. This section concludes with the development of a conceptual model for strategic behaviour for SMMTEs. The second section (Chapters five to eight) is concerned with the development of the research instrument of the study; investigates the research data of the strategic behaviour conceptual model using descriptive and higher-order statistical methods; provides a summary, conclusion and makes recommendations.

**Chapter 1:** General orientation to the study. This chapter provides an overview of the study that includes the statement of the problem; the aims and objectives of the study; the motivation for undertaking the study; assumptions of the study; and the rationale and significance of this study.

**Chapter 2:** An assessment of the body of theory related to SMMEs, with particular reference to SMMTEs. Attention is paid to defining the tourism sector and its sub-sectors and a discussion is provided in this regard from a national and international perspective. In this way, the importance of SMMTEs to the South African tourism industry is described within an international context.

**Chapter 3:** A critical overview of strategic behaviour and tourism entrepreneurship. This chapter synthesises the perspective of strategic behaviour and entrepreneurship. It then explores evidence concerning the strategic behaviour of entrepreneurs, the consequences as well as theoretical models that underlie this. In this light, the strategic behaviour of SMMTEs is explored in order to provide a theoretical foundation for the investigation of the co-producers that result in the preferred strategic behaviour of SMMTEs.

**Chapter 4:** The development of the conceptual model for strategic behaviour of SMMTEs. This chapter deals with various aspects of strategic behaviour and how this impacts on the sustainability of the tourism businesses. The preceding chapters discuss secondary information and form the basis for the development of this study's conceptual model, in this chapter.

**Chapter 5:** Research methodology. This chapter includes the methodology as to how the sampling frame, target sample was determined and the questionnaire designed and applied.

**Chapter 6:** Analysis and interpretation of the data. This chapter analyses the data gathered during the research process. This chapter includes a statistical analysis of the research findings through the use of first-level (descriptive) statistical analysis of the research findings.

**Chapter 7:** An investigation of possible relationships between strategic behaviour (the dependent variable) and entrepreneurial attributes (independent variables) using inferential statistics is made in this chapter.

**Chapter 8:** Summary of findings, conclusions and recommendations. This chapter, being the final one, reviews the study by providing a synopsis of the major conclusions of the study. It undertakes a review of the study. Finally, conclusions are drawn from the data and recommendations provided both at the level of the SMMTEs (micro-level) and their environments (market and macro-levels) in which they operate.

## 1.10 SUMMARY

In recent years the international economy has changed drastically. The business environment is increasingly turbulent and complex as organisations face intense competition fuelled by the global markets (Audet & d' Ambriose, 1998: 1). To succeed, SMMTE owners must develop a flair and shrewdness in order to detect “weak signals” from the environment (Audet & d'Ambriose, 1998: 1). It is through strategic behaviour that such activities are detected and addressed. Knowledge, however, of the strategic behaviour of SMMTEs is very limited due to a lack of research (Sexton & van Auken, 1982: 20). This was further confirmed by Leslie (2008: 7) who could find little evidence of recent literature and research dealing with strategy in the South African tourism industry. It is further argued by Sexton and van Auken (1982: 20) that the small size of SMMTEs creates a special condition that differentiates these from large businesses and requires a different approach.

The need for a business strategy by SMMTEs has increasingly become more important as emerging destinations have faced increasing competition, not only from local competition, but also from the opening up of tourism markets to a global economy. At the level of SMMTEs, it is often the public sector, in the form of national or regional tourist organisations, which stimulates strategic vision. In the case of newly developing areas, or those in decline seeking to rejuvenate, strategic planning at the tourism destination is vital. It is clear that a variety of factors and trends are converging to encourage SMMTEs to adopt a more professional business management approach. Cooper, Fletcher, Gilbert, Shepherd, and Wanhill (1998: 105) believe that there is need for destination managers in the public sector to provide leadership to SMMTEs through creating an enabling legislative environment; and providing co-ordination and planning capacity for the SMMTE industry, as a whole.

The information provided in this chapter suggests that the strategic behaviour of tourism entrepreneurs has an impact on the long-term sustainability and growth of SMMTEs in South Africa and in the world. All tourism destinations need to have SMMTEs that grow and contribute toward their respective local economies in the light of the high investments made by the local and national governments.



The widespread acceptance of tourism as one of the economic engines of the South African economy makes the success of tourism entrepreneurship a critical strategic development tool.

It is evident that strategic behaviour and tourism entrepreneurship is worth researching in the new South Africa. The study is in line with the economic development objectives of South Africa *that advocates* the development of creativity and innovation; and the building of human capacity and full participation of all stakeholders in dealing with developing sustainable growth of tourism entrepreneurship in South Africa.

## **CHAPTER 2**

### **SMMTES IN SOUTH AFRICA**

#### **2.1 INTRODUCTION**

Entrepreneurship and the development of SMMEs has become a dominant theme of development economics in the developing and developed world indicate Hassim (2001: 72), Le Roux and Nieuwenhuizen (1996: 1) and De Coning (1995:1). Furthermore, there has been a growth of interest in SMMEs in the academic community which is illustrated by burgeoning literature in this regard. Attention is given to defining the tourism sector and its sub-sectors and a discussion is provided in this regard from a national and international perspective. In this way, the importance of SMMTEs to the South African economy is described within an international context.

#### **2.2 BACKGROUND**

The Department of Trade and Industry (the DTI) recognises SMME development as an important area for government intervention and has embarked on a process of emphasising this sector and creating the enabling environment for SMME growth and development (Ntsika, 2001: 15).

South Africa's SMMEs operate, according to the DTI (2004: 10), in global, regional and local economic environments which may not always have been supportive of their prospects for growth. The challenge is that countries have to transform into globally competitive societies. In the context of a transition economy, such as South Africa, the following are considered the norm, according to De Coning (1995: 2):

- i. a high level of structural unemployment;
- ii. unequal access to the means of production;
- iii. unequal income distribution;
- iv. low productivity levels;

- v. a high degree of functional illiteracy linked to low skill levels;
- vi. weak process ability leading to comparatively inferior products and services;
- vii. poor infrastructure;
- viii. poor health services;
- ix. uncontrolled urbanisation; and
- x. severe housing shortages.

The SMME sector has been increasingly targeted as a means of stimulating economic growth, as a vehicle for the distribution of wealth and attaining a more equitable growth, and, as a means to address unemployment. Ntsika (2001: 38) indicates that SMMEs are being targeted because through the growth of the SMME sector, micro, small and medium enterprises can alleviate poverty, create employment and raise the standards of living for many South Africans in rural and urban areas. Particular attention has been placed on SMMEs because of the following:

- i. the high labour absorptive capacity of the SMME sector;
- ii. the average capital cost per new job created is mostly lower than ones created in large business;
- iii. they allow for greater competitive markets;
- iv. they are suited for the exploitation of smaller niche markets through their ability to adapt to rapidly changing tastes and trends;
- v. they provide solutions for the rural and newly urbanised entrepreneur;
- vi. they provide solutions for the unemployed or retrenched;
- vii. at the smaller end of the scale they often require little or no skills or training, work is learnt on the job;
- viii. they have a high propensity to save and re-invest even at very low income levels; and
- ix. subcontracting by large organisations to SMMTEs adds flexibility to the production process.

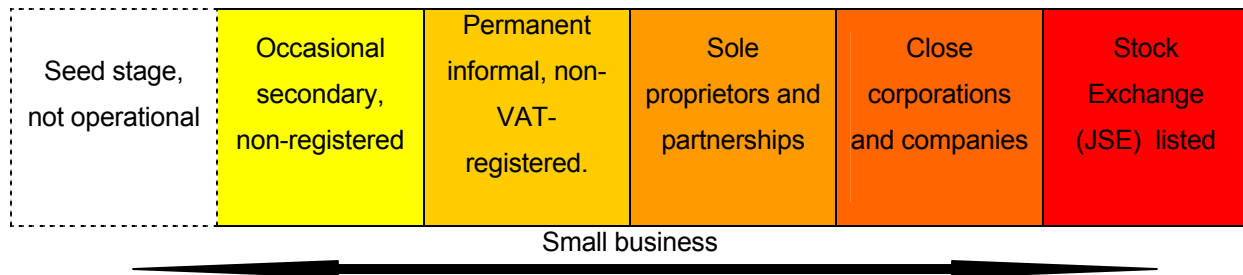
One of the key complaints, according to Rogerson (2007a: 70), is that SMME support programmes in South Africa are too often in the form of *generic packages* that overlook the unique requirements of particular economic sectors. This is despite the recognition that the

SMME economy of the country is diverse and composed of different groups of enterprises which require different kinds of support interventions.

### **2.3 CLASSIFICATION OF SMMES IN SOUTH AFRICA**

*“Entrepreneurship is of particular importance as regards to South Africa which is currently at a crucial juncture of its political, economic and social history. It is again entering global markets and will experience the effects on international competition from a very low base of economic activity and large-scale unemployment. South Africa is therefore in need of wise strategies to promote economic growth and yet little is known about South African entrepreneurs” (Watson, 1997: 2).*

Entrepreneurship can be defined, without repeating an already extensive debate, as “a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced. It results in the creation, enhancement, realisation and renewal of value, not just for the owners, but also for all the participants and stakeholders” states Timmons (1999) as in Jordaan (2000: 2). Although entrepreneurs can be associated with management, it is noted by Van Aardt, Van Aardt and Bezuidenhout (2000: 7), there is one key difference between entrepreneurs and small business owners or managers, namely: entrepreneurs conceive of, gather the resources for, organise, and run private businesses whilst small business owners or managers, in contrast, are primarily focussed on organising and running [small] businesses. Creativity, innovation, and unique value are the key elements of entrepreneurial businesses and that distinguish entrepreneurs from small business owners. Increasingly, state Timmons and Spinelli (2003: 274), research indicates that new ventures that flourish and grow to become sustainable businesses are headed by entrepreneurs that are also effective managers. Launching a new venture and then growing a venture involves entrepreneurial and managerial roles and tasks.



**Figure 2.1: The formal to informal business continuum**

Source: The DTI (2003: 35)

There is no universally accepted definition, argue by Clarke (2004: 197), Antoniou (2008: 489-90) and Birley (1989: 19), of what constitutes SMMEs, but the number of employees has emerged as the most popular criterion. At its broadest meaning, according to the DTI (2003: 33), the concept of small business can be a wide ranging one. It can include any form of economic activity, registered or informal, that provides its owner with an income but remains below the thresholds of a large enterprise. Figure 2.1 depicts a theoretical continuum of SMME situations from the most informal to the most formal types of enterprise. In reality, the formal SMME definitional criteria are often not clear-cut, for example, corporations registered with the Companies and Intellectual Property Registration Office (CIPRO) may be trading only occasionally, or not at all, while non-VAT registered businesses may provide many jobs, at least on a casual basis.

## 2.4 CLASS-SIZES

Providing and agreeing upon an exact definition of different business sizes is a complex undertaking. Definitions differ from country to country and between institutions in countries. The classification of SMMTEs, emphasise Buhalis (1994: 257) and Birley (1989: 20), is not an easy task. Two approaches that can be employed in this regard are however proposed:

- i. A quantitative / objective approach: three criteria are used, namely number of employees, annual turnover and number of beds, especially for accommodation establishments), where for example, accommodation establishments with less than 50 beds and employing less than 10 people are considered as small.

- ii. A qualitative / subjective approach: a wide range of criteria are used such as organisational structure, participation in hotel consortia or chains, turnover, financial strength, operational procedures, recruitment and training practices, decision-making process, entrepreneurial involvement and control, integration level, family domination in running the property, internationalisation of operation, marketing functions and managerial experience.

The 1996 South African National Small Business Act (NSBA) (South Africa, 1996) suggests the following groupings, or class-sizes, of SMMEs in South Africa. The distinctions between the groupings are based on the criteria as indicated in Appendices 1 and 2. This study has chosen the detailed approach followed by the NSBA of 1996, and its Amendments of 2003 and 2004 (as depicted in Appendices 1 and 2). In South Africa, SMMEs are defined in qualitative and quantitative terms:

- i. Qualitatively: the NSBA (1996), as amended (South Africa, 2004: 2), defines small business enterprises as “a separate and distinct business entity together with its branches or subsidiaries, if any, including co-operative enterprises [and non-governmental organisations], managed by one owner or more [which including its branches or subsidiaries, if any], is predominantly carried on in any sector or sub-sector of the economy”, that does not exceed the quantitative criteria as referred to in 2.3.2.
- ii. Quantitatively: the NSBA 102 of 1996 schedule (see Appendix 1) (South Africa, 1996: 12-14), and its Amendment (see Appendix 2) (South Africa, 2003: 8-10). Classifies any business into micro, a very small, small or medium enterprise that satisfy the quantitative sub-sector criteria mentioned in the said schedule.
- iii. The definitions of the Act take account of the number of full-time equivalent paid employees, total annual turnover and total gross asset size (excluding fixed property) of the enterprise, and, the legal form of the business.

It needs to be noted that these maximum criteria are indicated as a guide-line and that these need to be updated continually in order to avoid future irrelevance:

- i. Survivalist enterprises: income generated is less than the minimum income standard or poverty line, there are no paid employees, and the asset value is minimal, e.g. vendors, hawkers, subsistence farmers. Survivalist activities are carried out by people who are unable to find a paid job or get into an economic sector of their choice. Income generated from these activities usually falls far short of even a minimum income standard. Survivalist, or emerging, providers are usually small, less than one year old and black owned (SAQA, 2004: 12).
- ii. Micro enterprises: have a turnover less than the VAT registration limit, are usually not formally registered for tax or accounting purposes. Furthermore, micro enterprises are divided into those businesses in which the entrepreneur is the only employee, hereafter referred to as Micro (0) and these businesses which employ between one to four people excluding the owner, hereafter referred to as Micro (1-4).
- iii. Very small enterprises: operate in the formal market; access to modern technology.
- iv. Small enterprises: a distinguishing factor is that secondary co-ordinating managerial structures are in place, there is some form of managerial level co-ordination.
- v. World-competitive small-scale enterprises: SAQA (2004: 13) describes this as a distinctly different type of entrepreneur that functions at a high level of competitiveness. These entrepreneurs may earn reasonable, if not even relatively high incomes, and most do not suffer the problems of typical SMMEs in South Africa. A generic definition for this enterprise is suggested to be “a separate and distinct business entity, with less than 50 employees, which has an annual turnover of more than R5 million”.
- vi. Medium enterprises: evidence of a further decentralisation of decision-making, more complex management structure, increased decision of labour (Ntsika, 2002: 40).

Research has shown that a quantitative classification system for SMMTEs in South Africa, at the time of researching this study, is not available. The 1996 NSBA quantitative classification criteria for the catering, accommodation and other trade sub-sector (refer to Appendix 1) provides a useful indicator for SMMTEs. The 1996 NSBA quantitative classification criteria, as

amended in 2003, reflect a much higher threshold criteria for the catering, accommodation and other trade sub-sector (refer to Appendix 2).

The research findings of Page, Forer and Lawton (1999: 437), however, guide this study to postulate that the amended 2003 quantitative classification criteria are possibly not representative of the wider South African SMMTE sector which tends to be dominated mostly by micro to very small tourism businesses. In one study conducted by Page, Forer and Lawton (1999: 437) SMMTEs with less than 15 employees accounted for about 79 percent of all tourism business which is a feature that characterises the tourism industry in many other countries. Recent research findings by SEDA (2006: 11) indicate that the employment share for the “trade and tourism” sector for micro SMMEs was 46 percent, very small SMMEs was 27 percent, small SMMEs was 12 percent, and, medium/large SMMEs 12 percent. Consequently, this study uses the 1996 NSBA quantitative classification criteria for the catering, accommodation and other trade sub-sector as a basis for further analysis. It is underscored by Martin and Palakshappa (2004: 2) that the strategic challenges faced by businesses operating with, for example, 200 staff will be different to one operating, for example, with 10 employees or less.

## **2.5 REVIEW OF SMMEs IN SOUTH AFRICA**

In the global context, SMMEs are a source of creative and innovative energy, stimulating economic growth and competitiveness. In developing countries, SMMTE growth has become an instrumental part of such countries’ economic policies. South Africa is no exception. SMME development is seen as a low cost means of addressing South Africa’s geographic inequalities and promoting entrepreneurial activity so as to harness the country’s full potential (Ntsika, 2002: 55). Hassim (2001: 72), however, cautions that the failure rate of new businesses in South Africa is high, with nearly 50 percent of small businesses failing within the first five years. In Hong Kong, up to 80 percent of SMMEs fail within the first five years (Duddek, 2005: 12). Many reasons for this state of affairs are provided: the wrong product, under-capitalisation, poor cash flow, poor management, lack of succession planning and technological obsolescence, amongst other. The most frequently cited reason for business failure, indicates Ateljevic (2007: 308), is perceived to be a direct consequence of SMME management incompetence. The research by



Hassim (2001: 72) shows that in 90 percent of cases, failure could have been predicted and prevented. It is further emphasised that smart ideas and business capital funding are no guarantee for long-term sustainable success of new businesses.

The SMME sector of South Africa accounts for a large percentage of the employment and Gross Domestic Product (GDP). Although the contribution of the SMME sector toward the GDP is difficult to ascertain, according to the DTI (2004: 64), owing to the lack of data, it is estimated that the GDP distribution amongst the SMME sector is: 51 percent by medium, 13 percent by small, 11 percent by very small and nine percent by micro-sized SMMEs, and, 16 percent is unspecified. The trade, catering and accommodation class group's estimated GDP distribution amongst the SMME sector is: 48 percent by medium, 15 percent by small, 16 percent by very small and 21 percent by micro-sized SMMEs and one percent is unspecified. SMMEs (excluding survivalist and micro (0) businesses), states Ntsika (2002: 40), contributed 34.8 percent to the GDP in 2002, up from 32.7 percent in 1995. SEDA (2006: 12) further indicates that in the "trade and tourism" sector the GDP share of the (very) small and micro enterprises accounted for 50 percent in 2004 (55 percent in 2006); with the share of the micro-enterprises being larger than in the other sectors.

On average, according to the DTI (2004: 63), micro enterprises employ about two-thirds of South African employees, while cumulatively, micro, very small and small ventures account for 71 percent of employment. The research findings of SEDA (2006: 11) concerning CIPRO registered SMMEs is depicted in Table 2.1. The said findings indicate that whereas micro enterprises constitute a large share of CIPRO registered ventures they employ only an insignificant share of the workforce of CIPRO registered ventures. On the other hand, large registered ventures employ 37 percent of the workforce.

**Table 2.1: Percent contribution of CIPRO registered SMMEs to total employment**

Number of employees	Category	Share in total enterprises	Share in employees (2004)
Less than five	Micro	50 percent in 2004, down to 41 percent in 2006	6 percent
5 to 20	Very small	40 percent in 2004, up to 45 percent in 2006	30 percent
20 to 50	Small	8 percent in 2004, 6 percent in 2005, 9 percent in 2006	23 percent
More than 50	Medium/large	2 percent in 2004, up to 5 percent in 2006	37 percent

Source: SEDA (2006: 11)

Ntsika (2002: 41) indicates that employment by SMMEs is growing faster than the SMME contribution to the GDP, which has increased by two percent between 1995 and 2000. This underscores the high labour absorption capacity of SMMEs.

**Table 2.2: Percentage contribution of all SMMEs to total employment**

Size-class	Percentage of total employment
Survivalist	10.9
Micro(0)	9.1
Micro (1-4)	11.7
Very Small	9.9
Small	14.3
Medium	12.3
Large	31.8

Source: Ntsika (2002: 36)

Small businesses are considered to contribute more to employment than any other SMME class-sizes; followed by medium enterprises, as depicted in Table 2.2. It is further noted by Ntsika (2002: 38) that the SMME sector accounts for 68.2 percent of private sector employment, and for 66.2 percent of all private sector enterprises.

Class-sizes tend to be concentrated in particular sector(s). The likely reasons, emphasises Ntsika (2002: 43), seem to be the ease of entry into certain industrial sectors due to entry in terms of barriers of entry (start-up costs), greater or lesser expected profitability of SMMEs, training and infrastructure requirements. There is also a relationship between the sector and the size of the enterprise. The industrial sectors which SMMEs dominate are the retail trade,

agriculture, CSP (community, social and personal), manufacturing, transport, catering and accommodation, and, finance and business services (Ntsika, 2002: 44).

The number of new registrations of companies provides a barometer of new economic activity. This however may be misleading, as new registrations do not always translate into new enterprises since such registrations may be for tax purposes, may be affected by mergers, or may never become operational.

Evidence provided by Ntsika (2002: 46), however, notwithstanding the issue raised previously, is that there has been a sharp upward trend of new registrations since 1993. Close corporations, which are deemed to represent SMMEs, have increased dramatically from 78730 in 2000 to 94696 in 2001, which is in line with the general trend since 1994. In contrast, there has been a dramatic decline in the registration of private companies (medium and large businesses) from 32419 in 2000 to 25669 in 2001. It is suggested that entrepreneurship is gaining strength and that South Africa's domestic SMMTE market is dynamic (Ntsika, 2002: 47). Further research by Von Blottnitz (2009: 5) indicated that there is however an inverse relationship between SMME creation and the effect of interest rates and the economic climate in South Africa. It was found that after the rapid increase of the number of SMMEs created since 2004, the trend in registration of new enterprises had stagnated in 2008 due to the global economic downturn that was experienced in the late 2000s.

Gauteng, Kwa-Zulu Natal (KZN) and the Western Cape provinces together contribute toward 69 percent of the GDP and have 70 percent of South Africa's enterprises. The percentage of survivalist businesses is low in Gauteng and in the Western Cape but high in Kwa-Zulu Natal. The future economic growth of the provinces will determine the extent to which the current SMME trends in the provinces will continue. The Western Cape relies heavily on the economic activity of SMMEs since only 12.7 percent of large and medium enterprises are found in that province. Gauteng, on the other hand, houses mostly larger enterprises. As the enterprise sizes get larger, a greater percentage of that class-size is most likely found in Gauteng. This trend is however generally reversed for all other provinces (Ntsika, 2002: 51).

**Table 2.3: Number of formal SMMEs per province, compared with the population**

		No. of SMMEs to population of working age (%)
Province	Formal SMMEs	Formal
Eastern Cape	21772	0.5
Free State	12524	0.7
Gauteng	196715	3.1
KwaZulu Natal	53045	0.9
Limpopo	9493	0.3
Mpumalanga	14897	0.8
North West	10971	0.5
Northern Cape	4759	0.8
Western Cape	76876	2.4
Unknown	20610	-

Source: The DTI (2004: 50)

The SMME density per province, as depicted in Table 2.3, indicates the intensity of formal SMME activity per province and takes into account the number of formal SMMEs in each province in terms of its population. In this way, Gauteng has the highest formal SMME density (3.1 percent), followed by Western Cape (2.4 percent), and Kwa-Zulu Natal (0.9 percent). It is further noted by SEDA (2006: 37) that formal SMMEs have progressed well in all provinces in the past few years although the growth seems to be faster in urbanised provinces (Gauteng and Western Cape). In regard to informal entrepreneurship, states SEDA (2006: 37), “The informal SMME density is not only higher, but differently spread across provinces. The highest informal SMME densities are found in Limpopo and Mpumalanga, which have low numbers of formal enterprises. In third position comes Gauteng, which is also the highest density of formal enterprises. The Western Cape and Northern Cape have the lowest informal enterprise densities”.

Since 2001, South Africa has been involved in the Global Entrepreneurship Monitor (GEM) study, a major international research study aimed at increasing knowledge of entrepreneurship, which is administrated in South Africa by the University of Cape Town’s Graduate School of Business. The GEM study (University of Cape Town, 2002: presentation) is a long-term multi-

country study to monitor entrepreneurship, policy and implementation by business, government and society. It is centred, according to Orford, Herrington and Wood (2005: 9) on four objectives: How much do countries differ in terms of entrepreneurial activity? What accounts for the national differences in entrepreneurship? What are the national consequences of differences in entrepreneurship? What can governments do to affect the level of entrepreneurship?

The findings of the GEM 2004 study (Orford, Herrington and Wood, 2005: 10-14) reveal the following: South Africa's total entrepreneurship activity (TEA) index was 5.5 percent in 2004, 4.3 percent in 2003 and 6.3 percent in 2002. Consequently, South Africa is ranked 24<sup>th</sup> out of 34 countries included in GEM 2004 and is ranked within a group of countries with mid to low levels of TEA. GEM 2004 confirms the finding of the previous GEM studies:

- i. South Africa has lower than average TEA rates and has significantly lower TEA rates than developing countries, on average. In 2004 the average TEA rates for developing countries was almost four times higher than that in South Africa.
- ii. South Africa is ranked 17<sup>th</sup> on the start-up index, but 26<sup>th</sup> out of 32 countries on the new firm index, where a start-up business is one that has not paid salaries or wages for more than three months; a new firm is one that has paid salaries, or wages, for between 3 and 42 months; and an established business is older than three-and-a-half years.
- iii. Historically (and even today) an individual's race group is a major determinant of the availability of opportunity and therefore a determinant of individuals' entrepreneurial activity in South Africa. Black South Africans have the lowest TEA rates and White South Africans the highest TEA rates. The average TEA rate for White South Africans is nearly double those of black South Africans. In GEM 2001 report: 1 in 22 black adults; 1 in 12 coloured adults; 1 in 10 White and Indian adults are entrepreneurs.
- iv. The impact of gender is similar in most countries, with little variation: in South Africa, men are 1.4 times more likely than women to be involved in entrepreneurial activity.
- v. Amongst black South Africans, necessity-motivated entrepreneurial rates are higher than White South Africans' necessity motivated entrepreneurial activity rates; however, the difference is not significant. In contrast, White South Africans' opportunity-motivated

entrepreneurial activity rates are nearly three times higher than black South Africans' opportunity-motivated entrepreneurial activity rates.

- vi. In South Africa, there has been a significant increase in entrepreneurial activity between the age categories 18-24 and 25-34 years. Entrepreneurial activity peaks in the 25-34 age group and thereafter declines with age with the sharpest decline in the age group of 55-64 years old.
- vii. The study indicates that education is the greatest hurdle to entrepreneurial activity. In South Africa, those who have completed secondary education are more likely to believe that they have the skills to start a business.

Since 2003, Grant Thornton (2005: internet) have been conducting the International Business Owners Survey (IBOS) which is a study of over 6900 medium-sized businesses in 26 economies, world-wide. This includes 250 businesses in South Africa. The survey is a source of global business information, which gauges opinions on the economic outlook and business expectations for the year ahead. The results of the IBOS 2005 survey reveal the following:

- i. Economic prospects: South African business owners are extremely optimistic about their country's economic prospects.
- ii. Business performance and expectations: South African business owners, since IBOS 2003, have become more bullish about increasing their profitability. The shortage of skills, followed by bureaucracy, is the greatest constraints on business owners' expansion plans. Increasing competition is the most significant threat to South African business owners. In the past 12 months of the study, 50 percent of South African businesses had increased the number of people that they employed.
- iii. Global market: Since IBOS 2003, the percentage of South African businesses that export had increased from 39 percent to 44 percent but the global average has remained constant at about 35 percent. Africa is the most important export destination and Western Europe is the second most important export destination for South African companies. Very few business owners world-wide, including South Africa, have transferred or plan to transfer their existing operations to other countries in the next 2 years.

- iv. Business management: Cost reduction, followed by improved cash management are the most prominent ways of maintaining or improving profitability in South Africa.
- v. Business transformation: 87 percent of South African businesses have executives with multi-lingual negotiating skills. This exceeds the global average of 59 percent. South Africa has the third highest proportion of businesses (75 percent) employing women in a senior position which exceeds the global average of 59 percent. Black Economic Empowerment (BEE) is a major issue for South African business owners. Most businesses recognise the value of BEE to the economy. Owners of family controlled businesses are reluctant, however, to bring in outside shareholders. Approximately 80 percent of SMMEs in South Africa, according to Venter, Boshoff and Maas (2004: 2) can be classified as family businesses.
- vi. Impact of HIV/AIDS: only two percent of South African business owners mention HIV/AIDS as a significant business threat. Business owners are generally doing very little to manage HIV/AIDS.

The IBOS 2005 survey further highlights that business owners living on the coastal areas are more stressed, with 71 percent living in East London and Port Elizabeth, 67 percent in Durban and 61 percent in Cape Town. Preliminary analysis in this regard seems to suggest that the high stress levels can be traced to the environment that they operate in. In most cases, the businesses owners are under-capitalised and remain so for many years. Furthermore, business owners on the coast have to compete much harder for the little business opportunity that exists (Ismail, 2005: 1, 7).

A study of the impact of crime on small business conducted by Small Business Project (SBP, 2008a: 4) indicated the following main findings:

- i. 70 percent of respondents felt vulnerable to crime whilst at work.
- ii. 54 percent of businesses in the study had experienced at least one incident of crime in the past year.

- iii. 31 percent of businesses had been victimised twice or more, and almost 20 percent of businesses had been victimised three or more times.
- iv. A quarter of all respondents expressed reluctance or unwillingness to expand or invest in their businesses because of the threat of crime.
- v. Businesses directly affected by crime in the past year were around 20 percent less likely to increase employment and were 10 percent more likely to decrease employment.
- vi. The smallest businesses in the study statistically expected to lose at least 20 percent of turnover to crime.

The study on the impact of crime on small business (SBP, 2008a: 4, 11) further indicated that the cost of crime could not only be measured in monetary terms. The perceptions of crime, together with businesses' actual experiences, create considerable opportunity costs for individual enterprises and the broader economy. The negative psychological impacts of exposure to crime, at work or at home, are evident within a significant proportion of the respondents. Given the significant impact of crime on businesses in the study, there was a direct possibility that a single severe crime incident, or repeated victimisation over a period of time, could result in businesses closing down and thus have a direct impact on the sustainability of businesses.

Research conducted by the Small Business Project (SBP, 2006: 5) has further revealed that regulation has cost the formal sector South African business R79-billion in 2004. The research is a pioneering study of regulatory compliance (or "red tape") costs to the South African private sector, from large corporations through to SMMEs to the informal sector. Excessive regulatory compliance has been found to negatively impact on employment and growth with regulatory costs disproportionately impacting on SMMEs. The research (SBP, 2005: 64-67) has further revealed that the compliance costs of the tourism sector appear to be higher than in the main sample of the study. A significant compliance costs research finding was that the regulatory compliance costs as a percentage of turnover is higher in the tourism sector, than in any other



sector surveyed, because the majority of business in the sector are retailers and therefore have a particularly large burden of VAT compliance.

SBP (2006: 56) further indicated that SMMTEs in the smallest turnover category (less than R250000) experience tax compliance as a significant proportion of their overall compliance burden. This proportion decreases for SMMTEs in the second turnover category (R250000 to R1-million), suggesting that these SMMTEs have the advantage of a more systemised approach to tax compliance, but have not yet crossed the *complexity threshold*. Tourism enterprises with a turnover of more than R1-million do cross the *complexity threshold* with the result that tax compliance accounts for a higher proportion of their overall compliance burden. Tax requirements for such enterprises are likely to be more complex as a result of these enterprises being engaged in multifaceted operations, employing more staff and having to comply with a wider range of tax requirements. The drop-off in tax compliance as a proportion of overall compliance for the largest turnover category (R100-million plus) indicates the benefits of economies-of-scale. The largest enterprises tend to have highly specialised staff dealing with compliance requirements, and have implemented systems and processes that enable requirements to be managed efficiently and cost-effectively.

The 2006 SBP (2006: 5) study underscores that a high priority needs to be placed on determining why regulatory compliance is more expensive for tourism business than for general South African businesses. It is also important for further research to be conducted because the tourism industry has been identified as South Africa's *new gold* and is recognised as an immediate high priority industry by the South African Government.

One of the main underlying principles of the DTI national small business policy framework is black advancement and empowerment in the enterprise sector. There is also a special emphasis on other marginalised and disadvantaged groups. The focus is to provide greater equalisation of income, wealth and economic opportunity through the strengthening of the labour-absorptive process in the survivalist and micro enterprise segments, and in this way, redressing discrimination with respect to blacks as well as women's access to economic opportunities and power and the facilitation of growth in black and small enterprises in the rural areas. Ntsika (2002: 52-3) underscores the enormous disparities that exist amongst the various

population groups in regard to SMMTEs. Micro and survivalist businesses are more than 70 percent African, Asian and Coloured South African owned. Only 12 percent of survivalist and 37 percent of micro-enterprises are White owned. Very small enterprises are 88 percent White owned and 68 percent of the enterprises that are unspecified (small, medium and large businesses) are White South African-owned.

In May 2005, after an extensive stakeholder engagement process, the Tourism Black Economic Empowerment (BEE) Scorecard was launched. It is stated that though compliance is not compulsory, there are major incentives for implementing the BEE targets in that the BEE ratings are to be used by all spheres of government in determining spending partners and targeting for investment and development funding through institutions such as the Industrial Development Corporation of South Africa Ltd (IDC) and the Development Bank of Southern Africa (DBSA) (TIR, 2005: 7).

## **2.6 INTERNATIONAL AND NATIONAL PERSPECTIVE ON TOURISM**

### **2.6.1 International perspective on tourism**

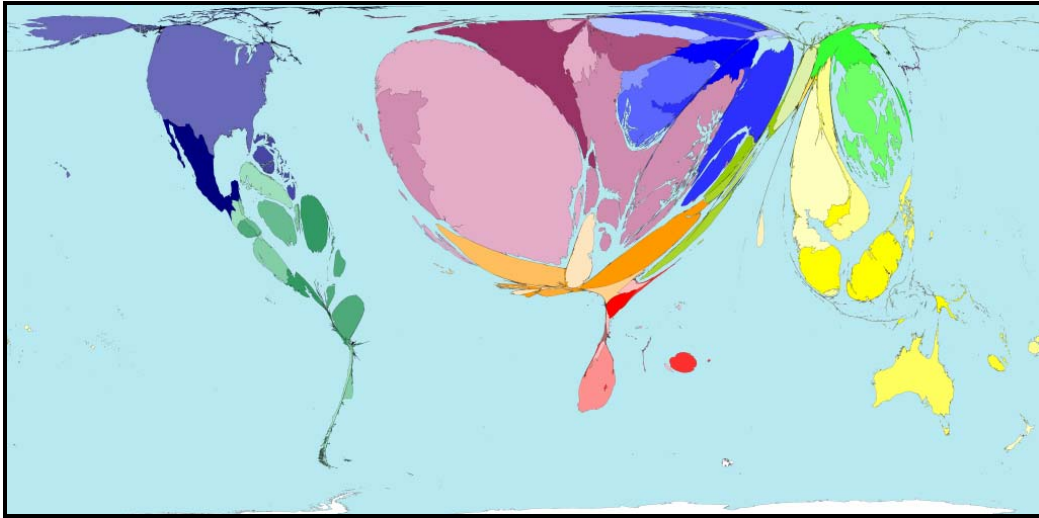
The tourism industry is the world's largest employer (Buhalis & Cooper, 1998: 324). Globalisation has however shifted the focus of the tourism industry from air travel, overnights, provision of meals, amongst other, to delivering the total experience or fantasy worlds associated with tourism destinations. The issue of some destinations succeeding in international tourism and others not, indicates that there has been a paradigm shift, according to Saayman and Slabbert (2001: 5). The shift has been from mass tourism that was the norm, to a situation where modern information and communication technology development, in symbiosis with the transformation of tourism demand, has lead to the advent of a new tourism. The new tourists are more experienced, more educated, more environmentally, socially and economically responsible, more independent, more flexible, more quality conscious and harder to please.

The new tourism is defined mainly by super-segmentation of demand, the need for flexible supply and distribution, achieving profitability through diagonal integration (a process, unlike

vertical and horizontal integration), by which the tourism business can develop and compete not only in one activity but also in the wider framework, seeking profitability on the basis of networked economies, obtaining synergies between various tourism offerings that are well integrated in the value systems of the tourist (Saayman & Slabbert, 2001: 4-5). This new paradigm allows the tourism industry to offer products and services adapted to an increasingly diverse and complex demand, whilst being competitive with the old paradigm products and services. The segmentation of the new tourism demand needs an in-depth knowledge of the tourism market and knowledge of these segments to enable tourism businesses to develop products and services that deliver a greater competitive advantage.

Europe is the most visited tourist region in the world, with the highest tourism density. In 2000, five European countries were among the 10 leading tourist destinations in the world and in 1999 Europe accounted for 43 percent of arrivals and 40 percent of receipts in non-domestic world tourism. This demand is forecast to grow at a rate similar to that in the past, i.e. to double during the next 20 to 25 years (EU, 2002: 4). The worldwide share of international tourists to Europe is just less than 60 percent (Europe Direct, 2003: 7).

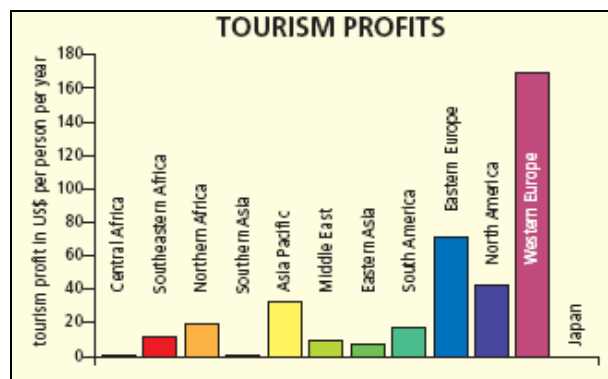
The tourism profits territory size map, depicted in Figure 2.2, state the SASI Group and Newman (2006: internet), shows the relative tourism profits made, in United States (US) dollars. This map shows tourism profits, “gained when foreign tourists spend more in a territory than its residents spend abroad (as tourists themselves). Those territories that do not make a profit are not shown on this map”. These estimates, indicate SASI Group and Newman (2006: internet), were made using information from Table 6.14 of the World Bank World Development Indicators of 2005, specifically the series on International tourism. Please note: SASI Group and Newman (2006: internet) do not provide an index for the map as depicted in Figure 2.2.



**Figure 2.2: Tourism profit**

Source: SASI Group and Newman (2006: internet)

The seven highest earning territories (per person) according to the SASI Group and Newman (2006: internet) are the islands of Bahamas, Palau, Barbados, Seychelles, Cyprus, Malta and Hong Kong. “The highest net earnings are made in Spain where a profit of US\$33 billion was made in 2003 which is more than twice the profit made by the second highest tourist earner: the United States”. Figure 2.2.1 depicts tourism profits, in USD per person, by region.



**Figure 2.2.1: Tourism profit in USD per person, by region**

Source: SASI Group and Newman (2006: internet)

Tourism is the leading growth industry in Europe and has been a major contributor to the emergence of the service economy in the European Union (EU), accounting for double the

contributions to employment (65 percent) and to the GDP (50 percent) from the agriculture and manufacturing industries combined (HLG, 1998: 8). In EU tourism, SMMTEs account for 99 percent of all businesses and more than 94 percent of them are micro-operators employing less than 10 individuals. There are about 2.7 million SMMTEs in western and central EU, employing about 17 million individuals. There are only a few hundred large tourism organisations that employ more than 250 individuals each (EU, 1998: 1).

International tourist flows are growing faster than domestic tourism and international arrivals in the EU are expected to increase by 57 percent from 335 million to 527 million between 1995 and 2010. The HLG (1998: 9) report maintains that by 2010 there will be between 2.2 and 3.3 million new jobs in tourism activities in the EU. It is underscored that this will only be possible if appropriate framework conditions are provided by public authorities at all levels. It is essential that businesses and policy makers combine to remove structural barriers to growth (HLG, 1998: 9).

Employment is at the top of the EU's priority actions in tourism and is reflected by:

- i. the recognition that tourism activities already account for a significant proportion and varied range of jobs in the EU and have clear potential as job creators;
- ii. the importance of the EU tourism industry which is widely present in all the member EU countries (about 2 million businesses, mainly SMMTEs generating 5,5 percent of GDP, 6 percent of employment and 30 percent of essential trade in services) is an important *test site* for the implementation of the EU employment strategy in the services sector; and
- iii. the prominent role and responsibility of public authorities at local, regional and national levels and the supporting role of the EU in the establishment of conditions favourable to sustainable development in tourism (EU 199/C178/03, 1999: 1).

The future competitiveness of the EU tourism product will increasingly depend upon the success of policies to encourage, influence and regulate SMMTEs, recognising that small, especially micro operators, are NOT just scaled down large businesses; their motivations,

perspectives and rationale are different and that new mechanisms are needed to influence their operational practices and to provide relevant education and training (EU, 1998: 1).

### **2.6.2 South African perspective on tourism**

In South Africa, states George (2007: 7), “Tourism is now one of the key drivers of the economy, supporting around 947 500 jobs and generating over R100-billion every year. In 2006, tourism contributed over R14,86 billion, or 8,3 percent to South Africa’s gross domestic product (GDP)”. Currently, tourism is considered the fastest growing industry in South Africa, argue Saayman and Slabbert (2001: 2-3) and is expected to grow considerably more, according to TEP (2008: 11), with estimates that by 2018 it will contribute about R44,8 billion to the economy, and employ some 1 280 000 people.

Up to 1994, South Africa was a political pariah due to the now abandoned policy of apartheid, but since then has been repositioned to enjoy a tourism revival. The South African Government did not consider tourism to be a national priority until 1991, when it implemented the Strategic Framework for Tourism Development in South and Southern Africa (Ahmed, Heller, & Hughes, 1998: 82). In 1994, the South African Government announced an ambitious campaign to make tourism the country’s number one industry in the creation of new employment and generation of foreign earnings (WTTC, 2002: 17).

The White Paper on the Development and Promotion and Development of Tourism (South Africa, 1996) sets out the government’s tourism strategy. It prioritises the mobilisation of the country’s material and human resources in order to obtain a greater share of the increasing world tourism pie. The tourism industry, according to the WTTC (2002: 39), has the potential to diversify South Africa’s economy and can further enhance the country’s tourism balance of payments, stimulate entrepreneurship, catalyse investment, create large numbers of sustainable jobs, and help social development in local communities. Tourism industry analysts have long predicted that South Africa is on the verge of a tourism boom, its actual performance (notwithstanding impressive annual growth figures), however, over the past several years has been disappointing and has not lived up to the optimistic targets set in the 1996 Tourism White Paper. The main problem seems to have been that, though the fundamentals of the tourism

business have been put in place, the strategic vision and leadership necessary to extract the synergistic value of tourism are lacking (WTTC, 2002: 4).

The South African tourism industry has undergone transformation with numerous windows of opportunity having been opened for tourism entrepreneurs. Saayman and Slabbert (2001: 10-12) identified some of these: the lifting of sanctions against South Africa opened new markets for the tourism sector; previously inaccessible markets, such as the Far East and the rest of Africa, are now available for entrepreneurial activity; the liberation of South Africa's international aviation policy and the expansion of the country's air traffic capacity; the paradigm shift toward globalisation and the increased support of Government in the provision of sufficient tourism infrastructure; spatial development initiatives (SDIs) have had a direct and positive impact on developing tourism in key geographical areas; and, negotiations between South Africa and other Southern African countries have resulted in a more co-ordinated co-operation with regard to regional packaging and marketing initiatives. The South African SMMTE sector, however, faces numerous challenges of which some are: financing challenges that include the shortage of funds and the lack of knowledge with regard to accessing funding; lack of experience being one of the main reasons for business failure; the lack of managerial knowledge encompassing the lack of management skills and a lack of knowledge regarding tourism trends and existing opportunities; lack of marketing skills to properly promote tourism offerings to the market; lack of support is highlighted for entrepreneurs in a developing country context; and, financial institutions still regard tourism as a high risk industry (Saayman & Slabbert, 2001:15- 16).

The sustainability of tourism enterprises varies for different types of enterprises. Micro and small tourism enterprises tend to be less sustainable than medium sized enterprises. This issue is crucial for South Africa, as the country needs sustainable employment, especially in tourism (Saayman & Slabbert, 2001: 9). The Travel and Tourism Competitiveness Report, ranked South Africa 61 out of 133 countries overall in 2009 (Blanke & Chiesa, 2009: 334-5), 60 out of 130 countries overall in 2008 (Blanke & Chiesa, 2008: 314-5) and 62 out of 124 countries in 2007 (as per Blanke & Chiesa, 2007: 322-3) and revealed that a significant proportion of the tourism sector employment and income is generated by SMMTEs with the greatest challenge being for governments and other organisations to find ways to improve the sustainability of such SMMTEs. South Africa was deemed to be the second strongest performer in 2009

(Blanke & Chiesa, 2009: xv) in the Sub-Saharan region after Mauritius. Mauritius was ranked the highest at 41<sup>st</sup> in 2008 and 40<sup>th</sup> in 2009 overall.

## **2.7 SUPPLY AND DEMAND SIDE: ROLE OF SMMTES IN THE TOURISM SECTOR**

As in any market, tourism consists of a demand and a supply side. The supply side could be referred to those in the tourism industry that supply all goods and services to domestic and foreign visitors at a destination.

Mill and Morrison (1992: 263) refer to a destination as a mix of interdependent variables. This destination mix can also be referred to as an amalgam state Cooper, Fletcher, Shepherd, Gilbert and Wanhill (1998: 103). The components of this amalgam are characterised as the four As, namely: attractions, amenities (accommodation, food and beverage providers, entertainment and other services), access (local transport, transport terminal and so forth) and ancillary services (local organisation providing services to the visitors i.e. information bureaux, local and national tourism boards, etc.). The complete mix has to be present for the destination to operate and the complete tourist experience to be delivered. In the light of a destination being an amalgam, there are a number of implications. The quality of each component of the amalgam and the delivery of the tourism service of these components has a direct impact on the success or failure of a destination. Thus, the complementarity of the destination components is difficult to control by destination managers, given the fragmented nature of the SMMTEs.

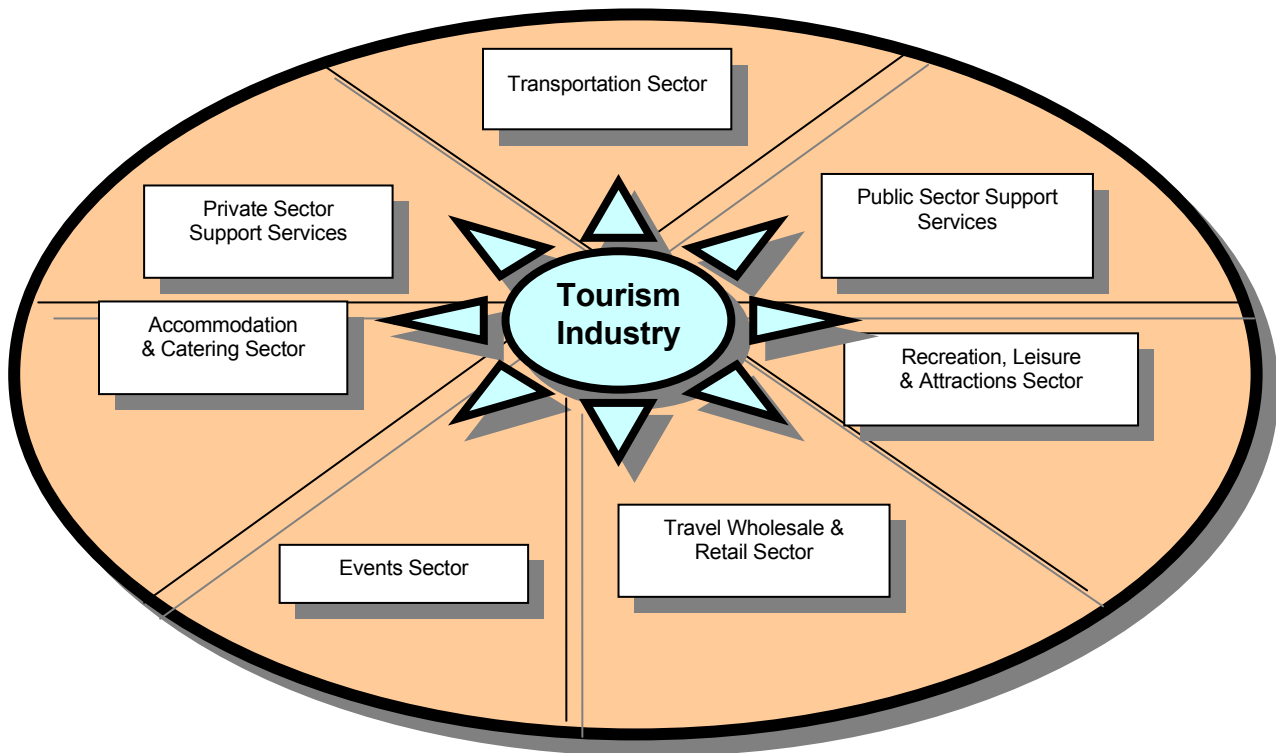
Tourism is a service sector with a particularly complex product that depends on an extremely fragmented supply. Each link in the chain (travel retailers, travel wholesalers, carriers, hoteliers, restaurateurs, etc.) offers an element of the overall product. The tourist destination is the main place of consumption of the tourist services and therefore, the location and place of activity of tourist businesses. Tourists identify the product with both the businesses providing the service and the destination visited (EU, 2001: 5).

The demand side refers to, conversely, the tourism markets and buyers of the tourism products and services, namely the tourist as the consumer. Tourism supply, indicates Haydam (1997: 2),



is directly affected by and dependent upon tourism demand. It is emphasised however by Rutherford (2006: 140) that often SMMTE owners find themselves in a catch-twenty situation: “do they wait for increased demand to take place before increasing the supply (in which nothing could happen), or do they increase supply in the hope that demand will increase (in which case the risk involved could increase considerably)”.

Economic activities are divided, writes Keyser (2002: 140), into primary, secondary and tertiary sectors. The tertiary sector could also be called the service sector or industry where the tourism industry can be regarded as part of the service sector. The tourism industry, state Keyser (2009: 196-7), Haydam (1996: 2), Rogerson (2007b: 4) and Rogerson (2005: 5), is not a distinguishable economic division, as formally classified in terms of the International Standard Industrial Classifications (SIC), but is made up of several major economic divisions (i.e. trade, hotels, finance, public sector, etc.), group divisions (i.e. retail), sub-group divisions (i.e. retail trade) and specialised divisions (i.e. restaurants). Seven main sectors are described by Tassiopoulos (2008: 11) that constitute the tourism industry; these are graphically depicted in Figure 2.3, and refer to the tourism industry as a range of businesses and organisations involved in the delivery of the tourism products, or offerings, to the tourist. The test for inclusion of an enterprise is the main source of revenue of the said enterprise (Keyser, 2009: 200).



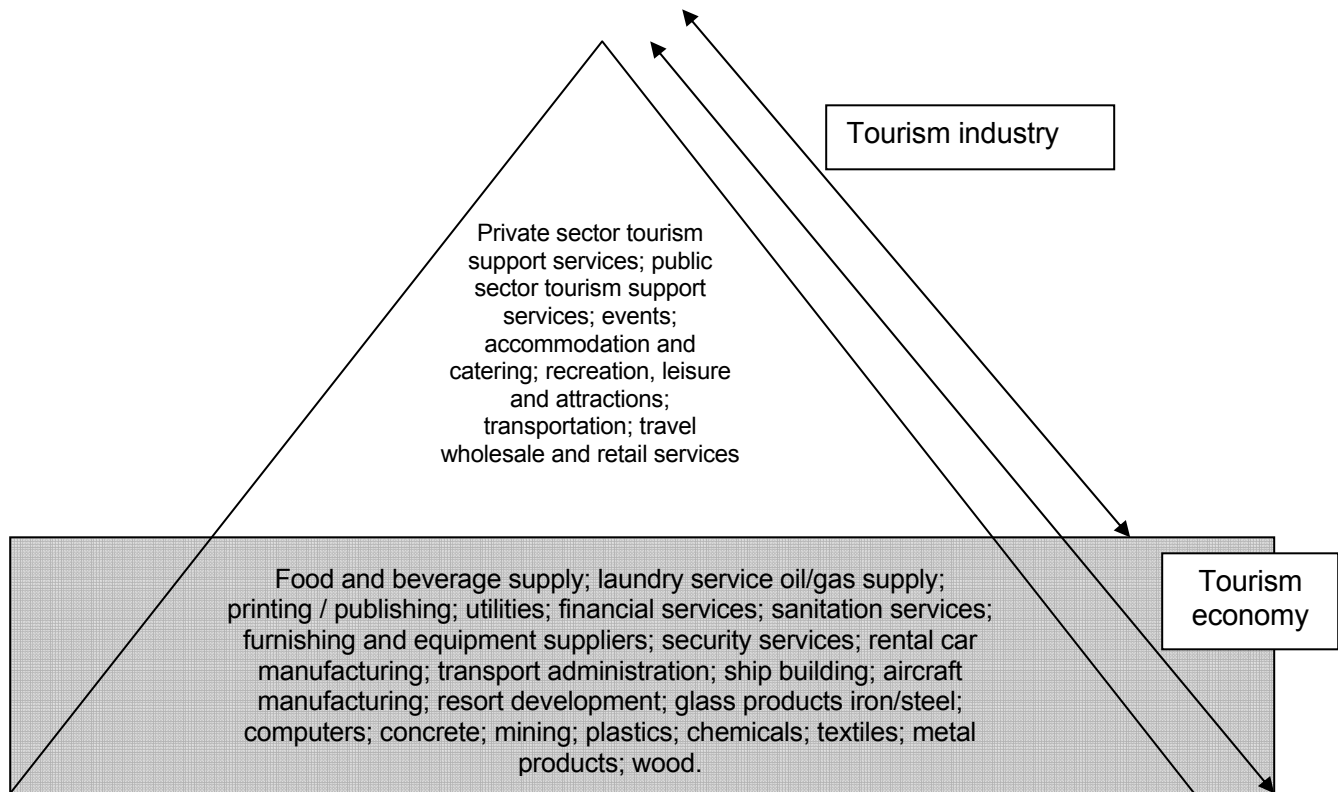
**Figure 2.3: The tourism industry sectors**

Source: Tassiopoulos (2008: 11)

One important consequence, according to Rogerson (2007b: 4), of this situation is that there is often considerable uncertainty concerning the precise boundaries of the tourism industry and economy, including what constitutes an SMMTE. It is however evident, states Rogerson (2005a), that the aforementioned tourism industry sub-sectors (as depicted in Figure 2.3) are essentially only the tip of the tourism economic iceberg. The measurement of the broader tourism economy needs to recognise the associated sectors in manufacturing, construction and services which are related and benefit from the growth of the tourism industry. The tourism economy as well as tourism industry are graphically depicted in Figure 2.4.

In general, the tourism industry could thus be described as those businesses, individuals and organisations that are involved directly, or closely, with the visitor industry. A consequence of the tourism sector that has not been formally classified in terms of the SIC is that there is often considerable uncertainty, concerning the precise boundaries of the tourism economy and how

to measure its economic impact for employment creation or contribution to the Gross Domestic Product in South Africa.



**Figure 2.4: The structure of the tourism economic iceberg: industry and economy**

Source: adapted from Tassiopoulos (2008: 11)

Local definitions and measurement of the boundaries and impact of tourism have been influenced by the system of Tourism Satellite Accounts (TSA) following the international standards of the World Tourism Organisation (UNWTO) which are designed to improve tourism statistics on a global scale. The TSA draws a distinction between the *narrow tourism industry* and the *wider tourism economy*. The narrow tourism industry comprises of transport, accommodation, catering, entertainment and related activities. The measurement of the economic performance of the wider tourism economy requires recognition of the associated sectors in manufacturing, construction and services which are linked to and benefit the growth of the tourism industry (Rogerson, 2005: 5).

## **2.8 TOURISM AND ENTREPRENEURSHIP: A DISCUSSION**

The definition of an SMMTE, according to the DTI (2003: 71), is open to debate as it must relate to the boundaries of the tourism economy. Rogerson (2005: 12) defines SMMTEs as those “operations which fall within the scope of the travel and tourism economy as well as those operating within the travel and tourism industry”. Koh (as in Saayman & Slabbert, 2001: 8) defines tourism entrepreneurship as activities that create and operate legal tourism businesses (that operate on a profitable basis and seek to satisfy the needs of tourists). The tourism industry is defined as an amalgamation of public and private organisations that are involved in the development, production and marketing of the tourism offerings that meet the needs of the tourist. Although the tourism industry has some large organisations, the sector is numerically dominated by SMMTEs, according to Szivas (2001: 163), Kirsten and Rogerson (2002: 31), and Cooper and Buhalis (1992: 102), yet in the literature of tourism there is a dearth on the research into tourism and small business development. SMMTEs, state Cooper & Buhalis (1992: 101-102), underpin the delivery of the tourism product in most countries and are particularly important in destination development, not only providing tourists with direct contact with the character of the destination, but also facilitating the rapid infusion on tourist spending in the local economy. SMMTEs’ key role is recognised by governments and international agencies, and by organisations such as the UNWTO and European Commission. SMMTEs are crucial in the resolution of the tension between the development of small-scale, personalised niche markets at local level and the dominance of large multi-national tourism companies on the global scale. It is suggested that large-scale tourism enterprises dominate opinion and increase their market share to the extent that SMMTEs play a diminished role in the industry. This is partly because one of the main advantages of SMMTEs is the flexibility and direct control of service delivery, but set against a commonly found approach of amateur management compounded by an inability to invest. The tourism industry is becoming more professional with increasing emphasis on quality management and greater responsiveness to discerning customer expectations; this may become a liability for the sustainability for SMMTEs. The public sector has an important role in encouraging co-operation and co-ordination amongst SMMTEs within tourist destinations.

The challenges, indicate Europe Direct (2003: 11-14), Dalby and Jaska (2004: 11), Rogerson (2007b: 11-18), and Buhalis (1994: 259-267), facing SMMTEs are:

- i. **Political**, because of the need for the tourism industry to become more integrated, it is expected that greater regulation, or even self-regulation, will become an increasing feature of SMTEs in the future. It is likely that there will be a greater focus on quality of service, customer knowledge, and the follow-up of complaints in order for SMTEs to remain competitive.
- ii. **Economic**, increasing competition from the major players within the SMTE industry is causing uncertainty. SMTEs will thus have to work more closely to sustain their market positions. The increasing integration between the tourism offering producers, travel organisers and the integration between various modes within a sector will become vital and will impact on the SMTE's modus operandi.
- iii. **Environmental**, environmental care is increasingly becoming a priority for SMTE players. Next to the price and quality offered, tourists tend more and more to consider the environmental effort of a company as a determinant of choice. Currently, SMTE's consider this issue as less important but higher awareness is taking place.
- iv. **Social**, all SMTEs need to be more aware of the changing expectations of their customers who are increasingly expecting that their decision to visit a destination will have a positive social and cultural impact on that destination.
- v. **Technology and innovation**, the Internet is a major sales channel, but so far only half of the SMTE's (in the EU) have incorporated the Internet into their day-to-day activities and is indicative that technology is not yet fully appreciated by SMTEs as an enabler for business success. As the markets become more integrated, the Internet will ease communication and SMTE's can benefit from the best practices of others through being able to share more easily. This type of knowledge sharing will be an important enabler for innovation.
- vi. **Distribution handicaps and tour operator dominance**: marketing, and specifically, distribution channels are the greatest weakness and threat to SMTE's as they are unable to determine the consumer behaviour process, and, rely on seasonal demand. SMTEs thus offer product-driven, rather than market driven offerings. SMTE's are

mostly unable to launch their marketing campaigns and lack the know-how to do so. There are members in the distribution channel in tourism, namely tour operators and travel agents, who are exploiting this marketing weakness. Tour operators minimise SMTE profit margins by negotiating, for instance, up to 70 percent discounts on the publicised room rates of the accommodation establishments.

In spite of the dominant role played by SMMTEs in the international tourism industry, they remain vulnerable in the modern business environment. The distribution challenges they face as well as the fierce competition caused by globalisation on the industry and the transformation of tourism demand place SMMTEs in a disadvantaged position. In addition, the radical development within the technological field, which most SMMTEs cannot embrace, effectively excludes them from prospective tourists (Buhalis, 1994: 271). It is important to understand the magnitude of competition within the tourism industry faced by SMMTEs argue Buhalis and Cooper (1998: 329-330). These are:

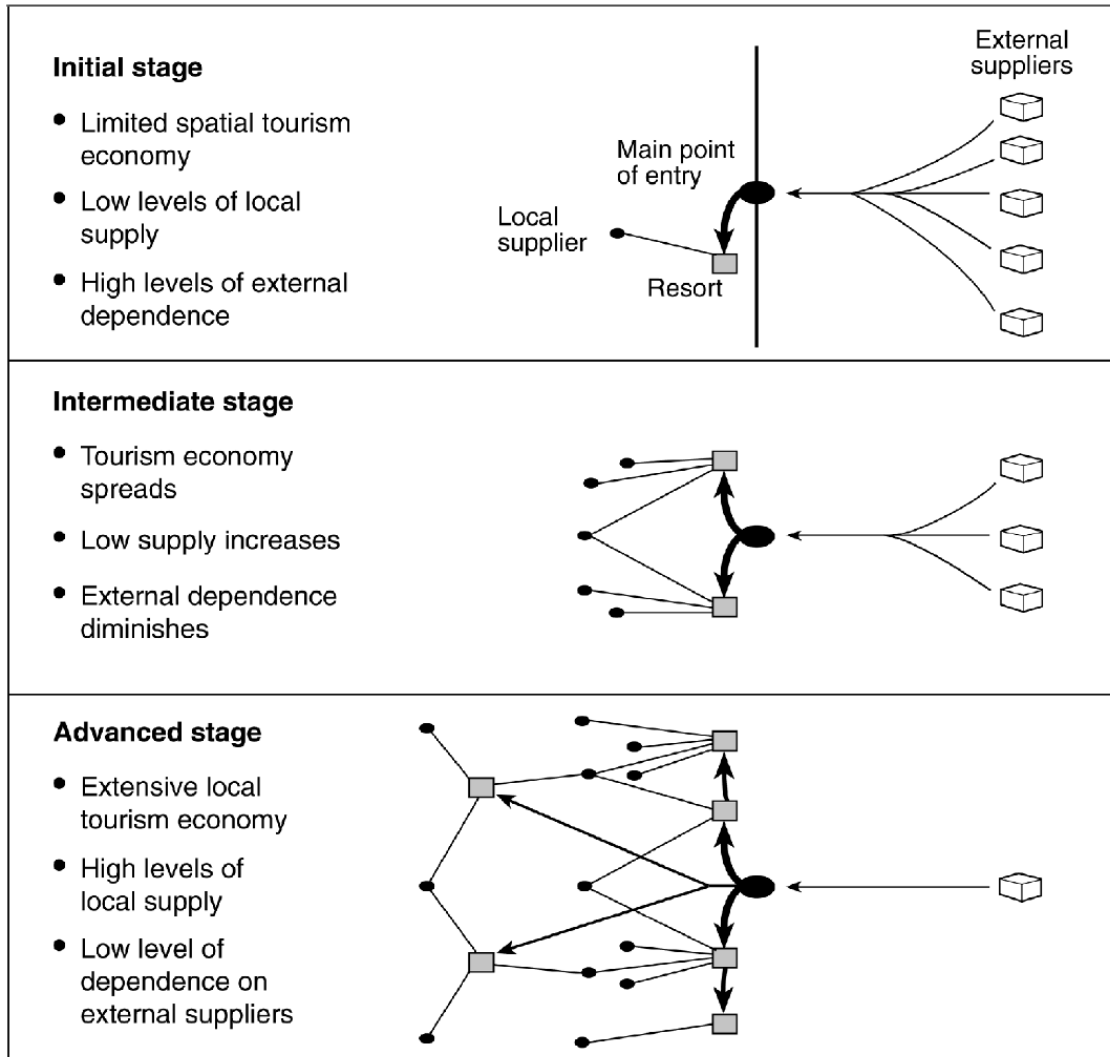
- i. **Level 1 - competition from similar product and service providers at a destination.** Most SMMTEs focus their competitive efforts against neighbouring SMMTEs and do not appreciate that they also compete against tourism offerings in alternative destinations or with alternative leisure offerings and tourist spending opportunity at the tourist's place of origin.
- ii. **Level 2 – competition from similar or undifferentiated destinations.** The destinations establish an image with the consumer that is easily substituted by alternative destinations. Thus SMMTEs compete with firms and alternative tourism destinations nationally and internationally.
- iii. **Level 3 – competition from differentiated destinations.** Destinations provide unique tourism offerings based on their natural and socio-cultural resources and are regarded unique in the sense that they are not easily substitutable.
- iv. **Level 4 - competition in the distribution channel.** Conflict arises within the distribution channel in that each member of the channel tries to increase its profit margins against the profit margins of other members. In the light that tourist market segments have maximum price limits which they can afford and are willing to pay, the competition between

members is fierce and powerful channel members can dominate and determine the distribution of total profit margins.

- v. **Level 5 – competition with alternative leisure activities.** Alternative forms of leisure activity have effectively reduced the need for consumers to travel to particular destinations in order to enjoy tourism offerings.

SMMTEs should be reminded that though it is natural to compete against enterprises within the same sector, they should not forget that the entire array of SMMTEs comprising the destination is ultimately why the tourist visits a destination. The amalgam of offerings by SMMTEs at a destination should maximise the satisfaction of the customer needs and expectations. It is thus recommended by Buhalis (1998: 338) that SMMTEs should form networks so that they can pool their resources to increase their competitiveness, draw up strategic management plans and marketing plans, reduce operating costs, and increase their know-how.

The development of business linkages, state Rogerson (2004: 17), between large established SMMTEs and small local SMMTEs through outsourcing, subcontracting or other linkages arrangements is viewed as an important means to upgrade SMMTEs, including informal SMMTEs. Business linkages are seen to enable SMMTEs, run by local entrepreneurs, to participate in the dynamic segments of a growing tourism economy. Outsourcing opportunities are identified in a variety of economic activities that include food and beverage provision, arts and crafts, cleaning and laundry services, furniture production, transport services, tourist guiding, etcetera. Rogerson (2004: 18-19) provides a model that depicts the development of tourism entrepreneurship and business linkages in a developing economy context. It is stated that that mechanism by which tourism development may galvanise new SMMTE development, or business linkages, is complex.



**Figure 2.5: Models of business linkages and tourism**

Source: Rogerson (2004: 18), and Kirsten and Rogerson (2002: 34)

The three stage model of SMMTE development, as illustrated in Figure 2.5, can be explained as follows:

- i. In the **initial stage** the local provision to a tourism facility is limited and the tourism industry is very dependent on overseas (or, outside the local destination) suppliers. This situation is common because either the local production system cannot meet the increase in demand or because the facility is foreign owned and has a corporate policy of not using local supplies.



- ii. During the **intermediate stage** the number of local SMMTEs increase and become more geographically spread, profits filter more widely into the local tourism economy and existing or newly developed SMMTEs start to supply the local tourism facility. Consequently, as the local SMMTE linkages evolve, levels of foreign ownership and dependence are reduced.
- iii. In the **advanced or mature stages** the situation is reached whereby a broad-based local tourism economy has been formed with the developed patterns of local supply and a minimal dependence on foreign suppliers.

Rogerson (2004: 18-19) underscores that a critical factor for achieving this degree of integration is the role of government intervention. The limited linkages that exist in the initial stages can be addressed through intervention programmes to enhance local entrepreneurship processes and deal with a situation of poor entrepreneurial skills.

## 2.9 PROFILE OF A TYPICAL SMMTE

There has been limited research, according to Cooper and Buhalis (1992: 102), Buhalis and Main (1998: 1) and Buhalis (1994: 259), and with most of the work focusing on the hospitality sector, the profile of typical SMMTEs can be summarised as follows:

- i. are characterised by family run businesses and are self-employed;
- ii. have managers with few formal qualifications and limited previous experiences in tourism;
- iii. have managers who enter the industry for a variety of reasons, not only for economic reasons;
- iv. sources of capital for SMMTEs are varied and SMMTEs tend to have very low levels of capital investment- thus possibly negatively impacting on quality; and
- v. have no formalised management system.

The research findings of Szivas (2001, 170-171), and, Lerner and Haber (2000: 83) indicate that there are two aspects of SMMTEs that need to be noted:

- i. the relative ease of entry into the tourism industry as many of the entrants into the tourism industry come from a wide range of industries; and
- ii. the “way of life”, or lifestyle motives for entrepreneurial entry into tourism reveals that the industry is seen as offering a better lifestyle and better standard of living while promising a pleasant work environment and high levels of human interaction.

### **2.9.1 Profiling the South Africa SMMTE sector**

The South African tourism industry, writes Rogerson (2005: 12), could be conceptualised as a three-tiered hierarchy of enterprises. At the top are the operations of larger established groups of enterprises which are responsible for, amongst other, the country’s major travel and tourism retail and wholesale operations, transportation, hotels, casinos and event facilities. The largest proportion of the SMMTEs is however found in the middle-tier of the hierarchy which consists almost predominantly of White South African-owned SMMTEs that operate a host of different establishments from travel and touring operations, restaurants, small hotels, self-catering and resorts, game farms, bed and breakfasts or backpacking hostels. The lowest tier in the South African tourism industry comprises of the emerging black-owned tourism economy which constitutes of a mix of formally registered micro-enterprises as well as a mass of informal tourism enterprises. It is however not clear, due to an absence of reliable statistics, what the actual shape and size of this hierarchy actually is (the exact number of established versus emerging SMMTEs is not known).

The size of the South African tourism industry comprising its employers and employees is difficult to quantify because of the lack of reliable data and inconsistent research methodologies. “Between 2000 and 2007 attempts have been made by various studies to determine the size of the sector and their findings vary greatly. During 2007, Prodigy and Grant Thornton, in their report of the skills audit, which was commissioned by the Department of Environmental Affairs and Tourism (DEAT), the Tourism, Hospitality and Sport Education and Training Authority (THETA) and National Business Initiative (NBI), quantified the size of the sector and they estimated it to be having a total of 41 740 employers and 378 000 employees”

states THETA (2009a: 18). A study conducted by TEP (2008: 16) further confirms that many SMMTEs are not registered or recorded; this makes it difficult to conduct empirical research. Recent (raw) database information from the Receiver of Revenue that was made available by THETA (2009b), as depicted in Table 2.4, shows the distribution of formally registered SMMTEs (Non-Levy Paying Entities- NLPEs - with a payroll of up to ZAR 500,000 per annum, in 2009), re-ordered by province.

It is stated by Tassiopoulos (2008: 67) that “individuals who voluntarily choose to enter into franchising agreements are not entrepreneurs but intrapreneurs. Entrepreneurship is defined as a process of creating value by bringing together a unique package of resources to create or exploit a market opportunity. Entrepreneurship, seemingly, contains at least three implicit dimensions: innovativeness, risk-taking and proactiveness. The franchise contract, however, has explicit control mechanisms pertaining to innovativeness, risk-taking and proactiveness to which franchisees must subscribe”.

Rogers (2003: 5-13) indicates that it may be more appropriate to refer to an entrepreneurial spectrum which at its respective poles has *independent entrepreneurship* and *intrapreneurship*. On such a continuum, it can be argued that franchisees are perhaps closer to intrapreneurship than to independent entrepreneurship. The key is perhaps the reality that the contextual framework with which franchises practise innovation, take risks and are proactive, is distinctly different to that with which independent entrepreneurs operate.

The findings, as depicted in Table 2.4, indicate frequencies that include, as well as exclude, franchisee owned SMMTEs. This study will focus on the data that excludes franchisee owned SMMTEs.

**Table 2.4: Formal SMMTEs per province in 2009**

Province	Including franchisees (absolute frequencies)	Including franchisees (Relative frequency)	Excluding franchisees (absolute frequencies)	Excluding franchisees (Relative frequency)
	N	%	N	%
Eastern Cape	1369	6.62	1235	6.63
Free State	733	3.55	653	3.51
Gauteng	7958	38.49	7182	38.56
KwaZulu Natal	2939	14.22	2589	13.90
Limpopo	444	2.15	407	2.19
Mpumalanga	1251	6.05	1132	6.08
North West	501	2.42	430	2.31
Northern Cape	253	1.22	227	1.22
Western Cape	5226	25.28	4771	25.61
<b>TOTAL</b>	<b>20674</b>		<b>18626</b>	

Source: THETA (2009b: derived from database)

Gauteng, as depicted in Table 2.4, has the highest SMMTE provincial distribution (38.56 percent), followed by the Western Cape (25.61 percent), Kwa-Zulu Natal (13.9 percent) and Eastern Cape (6.63 percent) provinces. A more in-depth analysis of the raw data (THETA, 2009: no page) further suggests that the provincial SMMTE distribution is polarised within the provinces to the major urban areas, or the tourism nodes, of provinces. Most SMMTEs in Gauteng, for instance, are found within the Greater Johannesburg area; in the Western Cape they are mostly based in and around the Greater Cape Town Metropolitan Area; in KwaZulu-Natal they are found largely in Durban; and in the Eastern Cape they are operating in and around East London and predominantly in the Port Elizabeth-Garden Route area.

The location of SMMTEs, according to TEP (2008: 20), has a major impact on the potential and success of such enterprises. Although townships attract specific types of tourists, SMMTEs operating solely in townships are out of the mainstream tourism market, which is a major constraint on their development. Established SMMTEs tend to be closer to the mainstream tourism spend. It is however also recognised that emerging SMMTEs are increasingly located closer to mainstream urban centres or tourism attractions and often manage to provide certain low-level services in those areas. TEP (2008: 21) states that despite the secure position of established SMMTEs, these SMMTEs do not provide the full range of activities demanded by tourists. They are relatively dominant in accommodation and attraction subsections, however

emerging SMMTEs are playing an increasingly significant role in providing a variety of products that helps give a destination a specific character. The research findings of a study commissioned by THETA (2009a: 20) are depicted in Tables 2.5a and 2.5b along with additional findings concerning SMMTEs in South Africa (the DTI, 2003: 67-87; THETA, 2008: 16; and DEAT, 2007: 535-46) which are indicated hereunder:

- i. Established SMMTEs (0 to 49 employees) overwhelmingly dominate the South African tourism industry, in all its sub-sectors, as depicted in Table 2.5a.

**Table 2.5a: Distribution of sub-sector SMMTEs, by number of employees**

Sub-sectors	Total number of employees			Total (%)
	0-49(%)	50-149(%)	150+(%)	
Conservation and tourist guiding	97	2	1	100
Gaming and lotteries	78	5	17	100
Hospitality	96	3	1	100
Sport recreation and fitness	97	2	1	100
Travel and tourism	96	2	2	100

Source: adapted from THETA (2009a: 20)

**Table 2.5b: Distribution of the number of SMMTE employees, by sub-sector**

Sub-sectors	Total number of employees		
	0-49(%)	50-149(%)	150+(%)
Conservation and tourist guiding	7	5	6
Gaming and lotteries	1	2	13
Hospitality	74	77	61
Sport recreation and fitness	8	8	6
Travel and tourism	9	8	13
<b>Total (%)</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: adapted from THETA (2009a: 20)

- ii. Overall, indicates THETA (2009a: 20), the largest number (74%) of SMMTEs, employing less than 50 employees, operate within the Hospitality sub-sector. The Hospitality sub-sector, similarly, has the largest number of SMMTEs that employ 50 to 149 employees, as well as those that employ 150 and more employees, as depicted in Table 2.5b.

- iii. Most SMMTE businesses, writes THETA (2009a: 60), are run and managed by their owners who also multi-task.
- iv. DEAT (2007: 537-8) found that the age profile of SMMTE owners had gradually changed, due to the inclusion of emerging SMMTEs, with approximately three-quarters of owner-managers being between the ages of 24 and 55 and only 11 percent being older than 55 years. In general, youth (younger than 35 years of age) participated as SMMTE owners and were considered as necessity entrepreneurs because they could not access employment opportunities elsewhere.
- v. There is a high level of female involvement, either as sole or joint proprietors of SMMTEs. DEAT (2007: 536) found that black females were dominant with nearly 40 percent of the SMTE ownership in the tourism economy.
- vi. The majority of entrepreneurs had moved into tourism from prior work in other economic sectors. The DEAT (2007: 538) study found that although around 31 percent of SMMTE owners have 10-years of work experience, the quality of this work experience needs further research. The DEAT study further suggests that work experience may be of such nature that these owners may not have adequate skills. Nearly 50 percent of the owners have between three and 10 years of work experience, and a further 20 percent have less than two years work experience.
- vii. The DEAT (2007: 538) study found that only 11 percent of SMMTE owners had a degree, diploma or other relevant tertiary qualification that was relevant to the current work that they were conducting with about 65 percent of SMMTE owners only having a Grade 12 (or Matriculation) school leaving qualification whilst around 14 percent only having some high schooling (Grades 8 to 11).
- viii. Although many established SMMTEs have been in operation pre-1994, there has been a surge of new SMTEs to take advantage of opportunities linked to the tourism boom of the post-1994 period.
- ix. The largest groups of SMMTEs in the rural areas are involved in craft production, selling, fishing and accommodation provision.
- x. The hospitality SMMTE sector (food, beverage and accommodation) represents the largest sub-sector of the tourism economy with 67 percent of the employers and 77 percent of the employees (DEAT, 2007).

- xi. The majority of rural SMMTEs have limited access to information and markets, with few businesses linkages having been forged by the majority of rural SMMTEs.

The role of provincial government in providing support is depicted in Table 2.6 and according to Rogerson (2007b: 61) it is evident that that all nine provinces offer various levels of support for tourism development; mostly in tourism marketing and other promotional activities. In addition, all provinces are engaged in various programmes for SMME development, in general, via an array of initiatives that include financial and non-financial mechanisms of support. It is recognised that such programmes also provide important indirect means of support for SMMTE development.

**Table 2.6: Tourism support environment**

Province	Tourism support	SMME Support	Direct SMMTE support
Eastern Cape	Yes	Yes	No
Free State	Yes	Yes	No
Gauteng	Yes	Yes	Limited- a small Tourism Development Fund for black entrepreneurs
KwaZulu Natal	Yes	Yes	Modest – finance for tourism projects through Ithala and advice on how to start a tourism business
Limpopo	Yes	Yes	No
Mpumalanga	Yes	Yes	No
North West	Yes	Yes	No
Northern Cape	Yes	Yes	No
Western Cape	Yes	Yes	Limited – the Integrated Tourism Entrepreneurship model

Source: Rogerson (2007b: 61-62)

It is however underscored by Rogerson (2007b: 62-64) that there are relatively few initiatives at the provincial level that provide direct support for SMMTE development or promotion beyond some support to assist the attendance of individual SMMTE owners at tourism marketing events such as the Tourism Indaba in Durban . The only direct support SMMTE initiatives that have been launched are in Gauteng, KwaZulu-Natal and the Western Cape, which are also the

well-resourced provinces in South Africa. At the local government level, "...the picture from the local authorities provides a close parallel to those of the provincial tier of government". All of South Africa's largest local government authorities, as part of their commitment toward local economic development (LED) and increasing responsibilities for urban economic development, are engaged in various programmes to support SMME interventions that are operating in South Africa's leading municipalities, for example, the establishment of SMME support centres or incubators. The situation in terms of direct SMMTE support is however markedly different with only a limited programme of SMMTE support that has been introduced by the City of Cape Town.

The main reasons for the slow growth of SMMTEs, writes TEP (2008: 47), are:

- i. The tourism sector is a relatively new one, particularly for historically disadvantaged entrepreneurs, and their exposure to the tourism market is deemed to be inadequate and as a result many are unable to access market opportunities. Training is also considered to be inadequate and not addressing these needs. It is further stated: "the public is misled into believing that tourism is an easy business. This increases business failures, and created unrealistic hopes amongst business entrants. The reality is that understanding the business dynamics of tourism is very difficult, and it takes time to grasp firmly".
- ii. Tourism operators often do not have enough and relevant practical skills and experience of the industry. This includes relevant business, technical and management skills; and the skills to maintain and grow businesses once these are started. New entrants find it difficult to establish and maintain a consistent supply chain.

In South Africa, according to the DTI (2003: 73), lifestyle factors amongst SMMTEs are found predominantly amongst entrepreneurs of European descent who mostly own accommodation SMMTEs in the Western Cape, KwaZulu Natal (the Midlands area) and Free State provinces. In contrast, economic motives represent the basis of development of the (predominantly black-owned) emerging SMMTE economy which includes the rural areas, such as the Wild Coast in



the Eastern Cape with many such tourism entrepreneurs operating at the barest levels of economic survival.

It is however noted by Visser (2002: 139) and Rutherford (2006: 74) that the neglect of SMMTEs in tourism studies is surprising in the light of the emphasis that is being placed in the 1996 White Paper on the Development and Promotion of Tourism in South Africa upon entrepreneurial opportunities and responsible tourism development in South Africa.

## **2.10 THE ROLE OF THE ACCOMMODATION SECTOR, AND, BED AND BREAKFAST OPERATORS**

The hospitality sector of the tourism industry is the biggest operational component of the industry in South Africa and consists of accommodation, food service and gaming (Lubbe, 2003: 114; and Rogerson, 2005: 3) and according to Keyser (2002:178-179) and Statistics South Africa (2009: 30-34) refers to the central sector of the tourism industry that provides accommodation and catering to the tourist. These two functions may co-exist in one independent operation or may exist in two separate enterprises.

Accommodation is seen to contribute up to just over one-fifth of spending of an average tourist in South Africa with food and beverage making a 1.8 percent gross value contribution, indicates Statistics South Africa (2009: 41), towards the tourist expenditure of a destination. Accommodation is a critical component of the tourism product since the type, nature and scale of accommodation available at the destination generally determine the type and scale of tourism possible at a destination (Bennett, 2000: 50). The nature of accommodation supplied is a function of demand mostly, namely, tourists determine what type of accommodation will be found at a destination. In Europe the accommodation sector is dominated by SMMTEs. Compared with other tourism sub sectors, the concentration of the sub sector is less explicit; major hotel operators own only 10 percent of the total number of rooms, but their share is increasing through direct ownership, franchising, leasing, joint businesses and management contracts. There are clear trends for dominance by larger companies who seek to take advantage of the international opportunities offered by globalisation and the EU (Europe Direct, 2003: 25).

Accommodation, writes Bennett (2000: 50) is not homogenous and ranges in Southern Africa from thatched roofed *rondavels* and caravan parks to ultra luxurious hotel accommodation. Accommodation can be classified into 3 broad categories: those in the serviced sector, self-catering accommodation, and a combination of the two. Bennett (2000: 50) provides a further classification of the accommodation sector into 4 categories: serviced and self-catering accommodation; homes of friends and relatives and other accommodation.

Grading of accommodation has traditionally been only of hotels in South Africa and all hotels were by law compelled to register as hotels. Other accommodation types were not subjected to any grading or classification. This was changed with the promulgation of the Tourism Act of 1993 that provides for a voluntary grading and classification of all types of accommodation. The current classification schemes make provision for grading based on physical features, services offered and service levels. The accommodation product is diverse and product experiences are complex. It involves physical elements (food and drink), sensual benefits experienced (sight, smell, sound, touch, taste) and psychological benefits experienced, such as states of well-being, status and satisfaction. The accommodation offering exhibits a number of unique characteristics, making it extremely difficult to manage and market. Amongst these are: location, permanence of premises, cost structure, peaks and troughs in demand, contact dependence (Bennett, 2000: 51-54).

Hotels, writes WTTC (2002: 17) remain the most popular form of accommodation in South Africa, used by 63 percent of international air tourists to South Africa in 2000. The home of friends and relatives is the second most popular, with 31 per cent share, game lodges with 23 percent and bed and breakfasts, guest houses and self-catering with 18, 17 and 14 percent respectively.

The Internet and computerised central reservations systems (CRS) have had an enormous impact on the tourism industry, in general, and on the accommodation sector in particular (Mill & Morrison, 1992: 274). Globally, there is a tendency to form larger groupings of hotels. Larger hotel chains share central reservations and marketing systems, centralise their purchasing and are positioned to compete more effectively. Tourists are looking for greater freedom, more adventure and hence a desire for informality (no regulated arrival and departure times etc.).

Tourists are becoming more discerning and demanding when it comes to accommodation. They do not see accommodation as merely a room to sleep in but as a total experience consisting of wide range of services and emotional experiences that together make up the holiday or business stay (Bennett, 2000: 55). The main trends in the accommodation sector are identified by Keyser (2002: 186-188) as the increasing use of technology, differentiation through branding and positioning, and, emphasising environmental concerns.

Bed and breakfast accommodation (B&Bs), according to Lubbe (2003: 119), Nuntsu, Tassiopoulos and Haydam (2004: 515-7), is growing in popularity in South Africa, especially with more budget conscious tourists. These establishments are basically smaller accommodation businesses that do not exceed 20 to 30 rooms. Their growing popularity has seen the major hotels chains enter this market segment for limited service accommodation. There are many privately owned accommodation establishments in private homes that are of a high quality. The level of service varies from establishment to establishment and is dependent on the room rate charged. In the 1980's there were considered to be no B&B establishments in South Africa and in the early 1990's there were only a few. In the last 10 years there has been a significant growth of B&Bs. Although there is still a noticeable B&B growth rate, the level of growth is levelling off with only more serious operators now entering the market (WTTC, 2002: 19-20).

The WTTC (2002: 19) underscores that there are no compulsory registration of tourism accommodation facilities in South Africa and that the actual number of accommodation establishments is not known. It is estimated that there are just over 11 000 establishments and the total number of units in all types of accommodation is 168 700. It was estimated that there are about 3 700 B&B establishments with about 13 000 rooms.

## **2.11 THE CATEGORISATION OF ENTREPRENEURS**

After discussing various aspects of SMMEs, it is evident that there is also need to discuss the categorisation of entrepreneurs. Visser (2003: 126) indicates that there have been numerous attempts to identify the essential attributes of entrepreneurs: using the trait approach; examining entrepreneurship from an economic perspective; and, analysing entrepreneurial

behaviour using psychoanalytic theory. This section will focus on entrepreneurial attributes from a behavioural perspective in order to categorise entrepreneurs. The review of secondary data reveals that there is a plethora of information concerning this topic, as indicated by Visser (2003: 128-135), and, Grundling and Steynberg (2008: 39). Entrepreneurship is described by Chell (2001: 283) as the pursuit of opportunity without regard to resources currently controlled and indicates that there are six dimensions of business practice that describe the difference between the business leaderships management types ranging from “promoters” to “trustees”. Maas (1996: 53-4) distinguishes between owner-managers and entrepreneurs and quotes D’Ambiose and Muldoney (1984): “An entrepreneur is an individual who establishes and manages a business for the principal purpose of profit and growth. The entrepreneur is characterised principally by innovative behaviour and will employ strategic management practices in the business. A small business owner is an individual who establishes and manages a business for the principal purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of one’s time and resources. The owner perceives the business as an extension of his or her own personality, intricately bound with family needs and desires”. An entrepreneur, continues Maas (1996: 55), symbolises a person that aims for growth and development, whilst an owner-manager displays a maintenance role in the operation of a business.

The six dimensions of business practice identified by Chell (2001: 283) are: strategic orientation; commitment to opportunity; commitment to resources; control of resources; management structure and, reward philosophy. Visser (2003: 133) consolidates entrepreneurial attributes into six dominant themes, which are: (1) commitment and determination; (2) leadership; (3) opportunity obsession; (4) tolerance of risk, ambiguity and uncertainty; (5) creativity and self reliance and the ability to adapt; and (6) motivation to excel. Bolton and Thomson (2004: 21) indicate that Hornaday (1982) identified a list of 42 attributes, including: perseverance and determination; ability to take calculated risks; need to achieve; initiative and taking responsibility; orientation to clear goals; creativity; honesty and integrity; and independence. Bolton and Thomson (2004: 21) further include opportunity orientation; persistent problem-solving; and, locus of control.

De Coning (1988: 19-33) deals with attitudes, knowledge and skills capabilities of entrepreneurs in order to categorise entrepreneurs and identifies the following dimensions or variables: value systems and goal-setting; locus of control; holistic approach to the small business management; need for achievement; and management knowledge and skill capability.

### **2.11.1 Value systems and goal-setting**

An individual's value system, according to De Coning (1988: 19), is the main determinant for setting goals; the values of an individual being considered as the point of departure for attitudes, actions and behaviour in general. De Coning (1988: 22) further indicates that the value systems of individuals are dependent upon goal-setting and behaviours. It is indicated that in reality there are different categories of entrepreneurs each having their own individual value systems, perceptions, personal and business objectives. It is further emphasised that entrepreneurs are not always driven by financial and profit objectives. The successful achievement of financial objectives and wealth is seen as the manifestation of the entrepreneur's competence and abilities, rather than the accumulation of money. De Coning (1988: 27) further highlights that there is a continuum of small business owners ranging from those that can be categorised as entrepreneurs to those who are considered business managers; personal, domestic (familial or lifestyle) and business objectives play a determining role; value systems and basic perceptions playing a further determining role.

### **2.11.2 Locus of control**

De Coning (1988: 27) indicates that the central issue with entrepreneurial locus of control relates to the way that individuals perceive the causal relationship between their behaviours and reward. It is the degree to which entrepreneurs and small business owners perceive the causal relationship between their actions and the success or failure of their businesses. Internal locus of control is seen as the perception that an event is a result of one's own behaviour which in turn is a function of entrepreneurial attributes and traits. Conversely, external locus of control is seen to not originate from the actions of individuals but rather is the result of coincidence, fate, luck or the actions of external or more powerful authorities, where the outcome of the

results is considered unpredictable because of the complexity of forces that encircle the individual or their business.

It is indicated by De Coning (1988: 27-8) that although entrepreneurs may usually be characterised as having an internal (rather than external) locus of control; in practice there is a spectrum of loci of control amongst entrepreneurs that ranges from business owners who blame the challenges their businesses are experiencing on external forces (external locus of control) to those entrepreneurs who believe that they can affect the outcomes of their businesses (internal locus of control).

### **2.11.3 Holistic approach to the small business management**

It is underscored by De Coning (1988: 28-9) that entrepreneurs should possess a large measure of *gestalt* that implies having a holistic approach (or attitude) toward managing their business. Most successful entrepreneurs have the ability to visualise their business and its various underlying components as a whole; this includes both the external and internal business environments. Successful entrepreneurs have the ability to visualise how events that take place in the external business environment can impact on their internal business environment. Successful entrepreneurs who have a holistic approach towards managing their enterprises will often achieve success by working from the outside in rather than from the inside out, namely, they identify potential customer needs and tailor products and services to meet these needs. It is indicated by De Coning (1988: 29) that although entrepreneurs may usually be characterised as having a holistic approach to managing their enterprises; in practice there is a spectrum of holistic approaches amongst entrepreneurs that ranges from business owners who have a limited holistic approach that include only certain aspects of their internal business environment to those entrepreneurs that include both the internal and external business environment (the so-called holistic approach).

### **2.11.4 Need for achievement**

De Coning (1988: 29-31) indicates that the need to achieve is an important component of the entrepreneurial profile; a key factor in the motivation of entrepreneurs; and, has direct economic

impacts. Timmons, Smollen and Dingee (1985), as in De Coning (1988: 30), state: “Entrepreneurs are self-starters who appear to others as driven internally by a strong desire to compete, excel against their self-imposed standards, and to pursue and attain more challenging goals”. It is indicated by De Coning (1988: 29) that although some entrepreneurs may mostly be characterised as being achievement focussed; in practice it can be expected that there is a range of achievement foci amongst entrepreneurs that also includes entrepreneurs that have only a limited desire to achieve and are more focussed on attaining independence and or making provision for family or lifestyle requirements.

#### **2.11.5 Management knowledge and skill capability**

The management of successful small businesses (which usually have very limited managerial resources), according to De Coning (1988: 31), is very demanding for entrepreneurs. The so-called correct approach, or business intuition, is not enough. In a highly competitive business environment, success can only be aspired to if the entrepreneurs, over and above their other entrepreneurial qualities, have adequate management knowledge and skills. Management knowledge in the small business context refers to the degree to which small business owners are aware and understand management concepts; and are able to integrate these within the running of their businesses. Similarly, skills in this context do not refer to the utilisation of classical psycho-mechanical skills but to small business owners being able to implement simple or complex business management concepts in the running of their businesses.

It is emphasised by De Coning (1988: 31-2) that entrepreneurs are often not adequately educated to manage their businesses and struggle to manage critical aspects of their businesses. Successful entrepreneurs are considered to be generalists with adequate knowledge and skills in (especially) general management, finances and production management. Technical ability in business is the ability to transform a feasible business idea into a viable business opportunity through the application of an appropriate business plan. Technical ability in management is the ability to effectively execute all the appropriate management functions in the various functional areas of the business. Interpersonal technical ability is considered the ability to manage relationships with people within the business in such a manner that effective teamwork can be achieved. It is further emphasised that adequate

management knowledge and capability is one of the factors for the successful operation of small businesses and states: “Successful entrepreneurs are trained in technical areas and management. Generally, they have some knowledge of finance and accounting and are able to work through others to achieve predetermined objectives. Entrepreneurs are generalists in that they maintain control of all phases of the business; they are also specialists who know at least one skill very well”.

## **2.12 SUMMARY**

This chapter discussed various concepts related to SMMTEs in the international and South African contexts. Successful tourism destinations are dependent on the development of a good mix (amalgamation) of tourism services and products of which SMMTEs play a central and critical role. Governments recognise this and increasingly are targeting SMMTEs as means for stimulating local economic growth. SMMTEs remain vulnerable in the modern tourism business environment although they play a dominant role played in the international tourism industry. Various studies, such as GEM and IBOS, have however identified various opportunities and challenges for SMMTEs in South Africa: lower than average national levels of total entrepreneurship activity (TEA); the impact of crime on SMMTEs is a concern; the cost of regulatory compliance on SMMTEs is a concern; the impacts of broad-based black economic empowerment (BBBEE) on SMMTEs is still undergoing scrutiny; whilst the IBOS study revealed that SMMTE owners were optimistic about their economic prospects in South Africa; global trade growth had remained relatively constant, however entrepreneurs were concerned about the impacts of HIV-AIDS on the operation of their businesses. Although there has been limited research concerning the typical profile of SMMTEs, SMTTEs can be characterised as family run businesses; having managers with few formal qualifications and limited previous experiences in tourism. The sources of capital for SMMTEs are varied and SMMTEs tend to have very low levels of capital investment- thus possibly negatively impacting on quality; having no formalised management systems; having a relative ease of entry into the tourism industry as many of the entrants into the tourism industry come from a wide range of industries; and having managers who enter the industry for a variety of reasons, not only for economic reasons with the “way of life”, or lifestyle. Motives for entrepreneurial entry into tourism industry are seen as offering a



better lifestyle and better standard of living while promising a pleasant work environment and high levels of human interaction.

Particular attention was also paid to the hospitality sector of the tourism industry which is the biggest operational component of the industry and consists of accommodation, food service and gaming and refers to the central sector of the tourism industry that provides accommodation and catering to the tourist.

The categorisation of entrepreneurs was discussed. It was found that entrepreneurs can be categorised as according to: personal, domestic (familial or lifestyle) and business objectives that play a determining role; and, value systems and basic perceptions playing a further determining role. A discussion was presented involving the following attributes: value systems and goal-setting; locus of control; holistic approach to entrepreneurship; need for achievement; and management knowledge and skill capability. Entrepreneurs are those who establish and manage a business for profit and growth and are characterised principally by innovative behaviour and will employ strategic management practices in the business.

The next chapter will deal with the role of SMMTE's and strategic behaviour.

## CHAPTER 3

### STRATEGIC BEHAVIOUR AND SMMTES

*“Entrepreneurship is first and foremost a mindset. It covers an individual’s motivation and capacity, independently or within organisations, to identify an opportunity and to pursue it in order to produce new value or economic success. It takes creativity or innovation to enter and compete in an existing market, to change or even create a new market. To turn a business idea into success requires the ability to blend creativity or innovation with sound management and to adapt a business to optimise its development during all phases of its life cycle. This goes beyond daily management: it concerns a business’ ambition and strategy” (European Commission, 2003: 5).*

#### 3.1 INTRODUCTION

The future of global tourism is riddled with ambiguity and uncertainty (Schwaniger, 1986: 74-75), which also applies to the South African tourism economy to a large degree, and is also true for the way SMMTE strategies emerge. The development, of a consistent business strategy argue Miles and Snow (1978:7), is a highly situational art characterised by insightful decisions which dramatically redirect the business’s resources toward environmental opportunities. It is further noted by Antoniou (2008: 490) that national and sub-national cultures can influence the nature of strategic behaviour. In this light, the strategic behaviour of SMMTEs is explored in order to provide a theoretical foundation for the investigation of the co-producers that result in the preferred strategic behaviour of SMMTEs.

#### 3.2 LITERATURE STUDY

Entrepreneurs who succeed have a purpose and direction, state Bolton and Thomson (2004: 85); they build value which they accomplish with successful strategies. Strategy is a term, indicate Antoniou (2008: 491) and Chell (2001: 278), that comes from the Greek, *strategia*, meaning generalship. Military strategy often refers to the manoeuvring of troops into position before an enemy in battle. Strategy, in short, is thus a term that refers to a complex web of

thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions and expectations that provides general guidance for specific actions in pursuit of particular objectives. The idea, argue Wickham (2001: 163-165), McCarthy (2003b: 155), Goldman and Nieuwenhuizen (2006: 71), and, Spillan and Ziemnowicz (2003: 463), that a business owner has a strategy is central to much of small business management thinking. A strategy could be described as the actions a business takes to pursue its objectives. Strategy drives *performance* and an effective strategy results in a good performance. A business's strategy is multi-faceted and can be viewed from a number of directions, depending on which aspects of its actions are of interest. There is a basic difference between the *content* of a business's strategy, the strategic *process* that the business adopts to maintain the strategy and the environmental *context* within which the strategy must be made to operate. The strategy content relates to what the business actually *does* while strategy process relates to the way the business *decides* what it is going to do. The strategy content has three distinct decision areas: the *products* to be offered, the *markets* to be targeted and the *approach* taken.

SMMEs are not renowned for their strategic thinking and business planning, states Chell (2001: 281); the strategy is at best embedded in the actions and decisions taken but these tend not to be explicit strategy, laid down and rigidly adhered to. Frese, van Gelderen and Ombach (2000: 1-2) indicate that founders of new SMMEs mostly follow some strategy to reach their goals, although these strategies are not always rational or explicit. Chell (2001: 281) further adds that if SMMEs are to achieve growth then the plan for doing so needs to be developed and communicated with the entrepreneurial team. Research on business strategy frequently differentiates types of strategy by content and process characteristics. *Content* specifies which kind of strategy is used, for example low cost, differentiation or focus/niche. Alternatively, *process* refers to how the strategy content is formulated and implemented. Large businesses, emphasise Dalby and Jaska (2004: 11), Folkeringa, Meljaard, and van Stel (2004: 84), and, Sulkowski and Roper (2005: 34), tend to look at "the strategic aspect of their business such as globalisation, digitisation, geographic dispersion of the value chain, more intense competition, outsourcing, faster decision-making, and obsolescence/ innovation. In contrast, small to mid-sized companies are concerned with more tactical decisions and issues, such as growth, retaining qualified employees, government regulations, cost containment and customer

relations". SMME owners tend to place greater importance on day-to-day operational issues. Furthermore, although the SMME owners realise that whilst growing their businesses is important, managing the growth of their SMMTEs is more important because of the limited resources available for business growth. Kurakto and Welsch (1994: 321), and, Frese, van Gelderen and Ombach (2000: 4-5) indicate that the decision-making process is a critical issue in the growth stage of emerging SMMTEs. The focus and style of decision-making in this phase is distinctive from the earlier or later stages that a SMME goes through. The organisational characteristics of successful early stage SMMEs and of successful mature SMMEs are quite different, as are the problems that they face. Early stage SMMEs are often unable to define tasks regarding market development or technology, typically characterised by high levels of uncertainty, with organisations that demonstrate little structure or formality. The owner-founder usually is the sole decision-maker and usually integrates people, functions and tasks by direct contact. In contrast, mature SMMEs have many employees, require formality, structure and specialisation to effectively and efficiently control and direct the businesses.

It is however beyond the scope of this research to deal with all the aforementioned aspects of strategy, as mentioned, in detail. Consequently, certain issues relevant to the improved understanding of strategic behaviour in SMMTEs will be addressed hereunder.

### **3.2.1 SMME strategy and environments**

Yoshihara (1976: 106) describes strategy as "pertaining to the relation between the firm and its environment". Goodstein, Nolan and Pfeiffer (1992: 2) refer to strategy as values driven decision-making with an emphasis on creative envisioning of the ideal organisational future. SMMEs, according to Ansoff, Declerck and Hayes (1976: 42), relate to their environments in two particular ways:

- i. through competitive (or operating or tactical) behaviour in which they seek to make profitable the goods/rewards exchange with the environment. This is done by attempting to produce as efficiently as possible and to secure the best possible prices and market share; and

- ii. through entrepreneurial (or strategic or creative) behaviour in which they replace obsolete products or markets with new ones which offer higher potential for further profits. This is executed by identifying areas for new demand, developing responsive products or services, developing appropriate manufacturing and marketing capabilities, market testing, and, introducing new products to the markets.

Since the competitive mode (1) is profit-generating, and, the entrepreneurial mode (2) is profit-absorbing, Luckkanen, and Rabetino (2005: 62), Bean (1993: 194-5), Ansoff, Declerck and Hayes (1976: 42), and, Spillan and Ziemnowicz (2003: 463) postulate that SMMEs will gravitate toward the former as long as the potential of existing markets is perceived adequate for satisfying growth and profit objectives. Ansoff, Declerck and Hayes (1976: 45-8), Hewitt-Dundas and Roper (2001: 276), and Goodstein, Nolan and Pfeiffer (1992: 6) further indicate that when an SMME transforms itself from a focus on competitive behaviour to an entrepreneurial focus, a fundamental transformation takes place in each of its major attributes i.e. its objectives, its value systems, its owner-managers, its processes, its systems, its structures. Consequently, strategic planning cannot be seen as the most important element of the transformation; rather, it is a rational approach to assessing and redefining the linkages of the SMME with both its business and its macro environments that are important. It is further stated that the outcome of strategic planning is only a set of plans and intentions. On its own, strategic planning produces no actions, no visible changes in the SMME. To effect the changes the SMMEs need appropriate capabilities: trained and motivated entrepreneurial team members, strategic information, fluid and responsive systems, and structure. Lacking these, SMMEs can appear to resist implementation of the strategic plans. It is underscored by Ansoff, Declerck and Hayes (1976: 48), and, Hewitt-Dundas and Roper (2001: 282) that there is a variation of operation within each mode (a continuum): entrepreneurial behaviour varying from no-holds barred, all out aggressive competition to bureaucratic unresponsiveness; entrepreneurial behaviour ranging from reluctant imitation of competitors' offerings to a continuous stream of innovations. The average intensity of behaviour of SMMEs in an industry is basically determined by the turbulence of the environment: the threats, the opportunities, and the vigour of the competition, the pressures and demands from customers, public and government. Thus in a given industry, for either the competitive or entrepreneurial mode, the

research indicates a range of intensities of behaviour. The factors which contribute to the differentiation among SMMEs are their past history, age, size, and the accumulated organisational inertia, the relevance of their skills, the drive and capabilities of the owners-managers. Thus, the research by Ansoff, Declerck and Hayes (1976: 48) shows that both the strategic position of the SMME within the environment as well as the capabilities of the SMME must be addressed; otherwise, the potentially more important need to change the internal culture of the SMME which prepares the business to survive in a new type of environment remains underdeveloped. Kurakto and Welsch (1994: 8) emphasise that there are three distinct variables that are critical to any strategic analysis: the individual, the SMME, and the environment. However, the stages of any SMME (idea, pre-venture, start-up, early growth, harvest) are also critical to strategic analysis. In addition, the career perspective should be considered, which implies that the entrepreneur's career stage (early, middle or late) can be a decisive factor in differentiating the variables within the SMME development stages.

### **3.2.2 SMMEs and opportunity recognition**

Entrepreneurial strategy according to Shane (2003: 194) is the intersection between all strategic actions and all activity to exploit opportunities. Opportunity has become a central concept in the study of entrepreneurship, indicates Rae (2004: 2-3), and the discovery, exploration and exploitation of opportunities are recognised as fundamentally important processes in entrepreneurial activity. It is proposed that opportunity recognition is a learning process in which individuals make sense of their world through scanning, interpretation and action and term this the *enactment perspective*, where, opportunities are the result of what individuals do, rather than what they see. Opportunity can thus be defined as a gap or discontinuity between current, perceived reality and future possibility. This can for instance include an unmet market need; a mismatch between supply and demand; the potential for applying a solution to a problem; an introduction of a new technology; or transferring a product or process from one situation to another. This requires the imagination or perception of what could be and the enaction to realise the possibility. If opportunities do not exist as objective facts but rather are recognised and created by people in their subjective perception then they form part of that person's learning process. The same opportunities are not apparent to

everyone because of the myriad of differences in context, experience and perception; some people perceive the same opportunity more quickly than others through imagination and foresight. It is posited that this may be a result of superior learning ability.

### **3.2.3 Strategy and growth: Rationale and motivation**

SMME development, according to Nieman, Hough and Niewenhuizen (2003: 220-222), has been identified as a priority by the South African Government because of its potential to create jobs and provide a solution to South African high unemployment. The lack of an entrepreneurial mindset or the desire to grow is seen as a major hurdle to growth experienced by many business owners. The potential to grow distinguishes an entrepreneurial business from a small business and in order for growth to be achieved there must be a long-term or “strategic plan”. Strategic growth, argue Nieman, Hough and Niewenhuizen (2003: 237), is the change that takes place in the way the business interacts with the environment and it is the technique that the business develops for it to exploit a presence in the tourism marketplace. It is underscored that strategic objectives change as SMMTEs move through the stages of their life cycle: in the start-up and early growth stages, the strategy is mostly aimed at survival, in the following stage the focus on building a customer base, maintaining profit and obtaining resources.

Structure, according to Nieman, Hough and Niewenhuizen (2003: 237), follows strategy as structural growth is related to the changes that have taken place in the way the SMMTE organised its internal systems, roles and responsibilities, reporting relationships, communication and control systems. SMMTEs are required to develop and change their structure to meet the requirements of change and growth and with each strategic phase are required to adapt their structure and processes. The structure of SMMTEs is representative of a response to the contingencies of size (the larger the SMMTE the more complex this will be), technology (the way the SMMTE, does its businesses will determine the complexity of the operational technology required), strategy (the manner the SMMTE competes for business) and environment (this impacts on the structure and strategy offering both resources and/or challenges to the SMMTE).

The strategic process is utilised to reassess the organisational system in order to determine any contradictions to the business's goals and objectives involving internal resources, capabilities and systems. External strategies position SMMTEs in relation to their place in the tourism industry value chain and this may include a strategy of integration, which could be vertical, horizontal or lateral. Internal strategies focus on an increase in market share, developing new products and service and/or entering new markets (Nieman, Hough & Niewenhuizen, 2003: 255).

An important finding, however, underscore Rogerson (2005b: 626), and, Ateljevic and Doorne (2000: 379), from research conducted in the United Kingdom and New Zealand, is that the majority of SMMTEs do not aspire to grow, but instead are often motivated by non-financial considerations. It is suggested by Ateljevic and Doorne (2000: 379) that conscious efforts are made by some SMMTE owners to limit the scope and scale of their operations, capture niche market opportunities, and hence strive to succeed in striking balance between economic performance and sustainability of socio-cultural and environmental values. The research findings of Szivas (2001: 164) indicate that there are two aspects to SMMTEs that need to be noted: the relative ease of entry into the tourism industry as many of the entrants into the tourism industry come from a wide range of industries, and, the "way of life" motives for entrepreneurial entry into tourism reveals that the industry is seen as offering a better lifestyle and a better standard of living while promising a pleasant work environment and high levels of human interaction.

Lewis (2004: 2) and George (2007: 190) propose that the growth potential of SMMTEs is influenced by the attitude to growth held by the owner. There is a distinct difference between growth and profit orientated SMMTE entrepreneurs and, autonomy and SMMTE lifestyle entrepreneurs to the extent that autonomy and **lifestyle-orientated entrepreneurs are usually regarded as owner-managers, rather than entrepreneurs**. Rodriguez (2009: internet) indicates that lifestyle-orientated business owners are primarily not involved in business to get rich, or to create growth-orientated business empires. Instead of money, the most common motivation of the lifestyle business owners is a fierce desire to work for themselves, and run businesses that would fit around their lifestyles and ages. It is however emphasised that lifestyle business owners are not averse to making money. Many of these lifestyle business



owners are in fact financially successful. They understand that they are in business to make a living and earn to support their chosen way of life. Lifestyle-orientated business owners do not run their business for the financial benefit of others, such as the investors, as they do not want the burden and responsibility of working hard in their businesses to support the investors' goal of achieving acceptable returns.

Lifestyle business owners come in many forms and according to Rodriguez (2009: internet) can be broadly characterised as arising from three categories:

- i. **Burned-out mid-careerists:** refers to those who would have worked for several years as corporate employees, during the course of their careers would have set aside a certain amount of savings or other assets, but, in the process, are now disillusioned with the corporate business world. This category may be looking for more excitement, to do things that they wanted to do, pursue new experiences, or simply be entrepreneurial. Consequently, this category resigns their jobs and starts their own businesses.
- ii. **Laid-off, downsized or fired:** refers to those who are facing termination, pay cut or job loss, and find that going into business is the most viable alternative. The changes in employment circumstances force this group to rethink their lives, and make radical changes to their lifestyle. This category sees the loss of job security as an opportunity to finally do what really it wanted to do.
- iii. **Special lifestyle needs:** refers to those who need to have flexible schedules and the freedom to choose the location of where they work. This category often has other people depending on it for care: young children, ailing parents, or disabled family members. Alternatively, members of this category may be suffering from health problems that prevent them from full-time employment in a job that demands a rigorous schedule or physical exertion. Work-at-home moms and dads also form part of this category.

Lifestyle business owners states Skellie (2008: internet), will generally base their ventures around time minimalism, freedom of location, or something they love, even if there are more profitable (but more time-consuming, or less interesting) options available; thus, the main three lifestyle business types are:

- i. **“Doing it for love” lifestyle businesses:** this kind of lifestyle business revolves around a passionate hobby: even if the business generates little or no income. The goal is not to work as little as possible; work is a passion and maintaining and operating her/his business is woven into a lifestyle, not separate from it.
- ii. **Nomadic lifestyle businesses:** this kind of lifestyle business revolves around the nomadic lifestyle of the owner, however, the owner is not necessarily working less than anyone else; the nomadic lifestyle entrepreneur identifies with freedom of location: an “anywhere work” style. Thus, work enables travel and should not confine it to specific times of the year.
- iii. **Time minimalist lifestyle businesses:** this kind of lifestyle business revolves around minimising as much of the time commitments out of owning a business and earning an income. This is usually achieved through elimination, outsourcing, the 80/20 principle, simplicity and automation, or through focusing on 'set it and forget it' products, like e-Books or drop-shipped products.

The most common motivation for lifestyle business owners, confirm Hendricks (2003: 7), Lewis (2004: 3), and, Ateljevic and Doorne (2000: 379) is the desire for independence and, argues George (2007: 190) “to be in control of their own lives and careers, and not necessarily to establish and grow a business”. Growth and profit orientated entrepreneurs, on the other hand states George (2007: 130), have a primary intention to establish and grow high-potential businesses and the profit motive is very strong.

The growth of SMMEs is varied, according to Webster (1998: 207), and can be segmented into different growth categories: lifestyle businesses, marginal small firms, high grow businesses and successful small growing businesses. The growth of a new business is believed to be the function of both market and management factors. Further factors indicated are the nature and size of the target market, and the opposition present (which reflects to the existing competitive conditions), the technological advances and the amount of protection in the form of copyrights and government intervention. The management factors refer to the ability to grow and the

psychological propensity for growth. The entrepreneurs are seen to be at the centre of the strategy process with Bolton and Thompson (2000: 50) arguing that entrepreneurs are opportunity driven and seek to resolve the following:

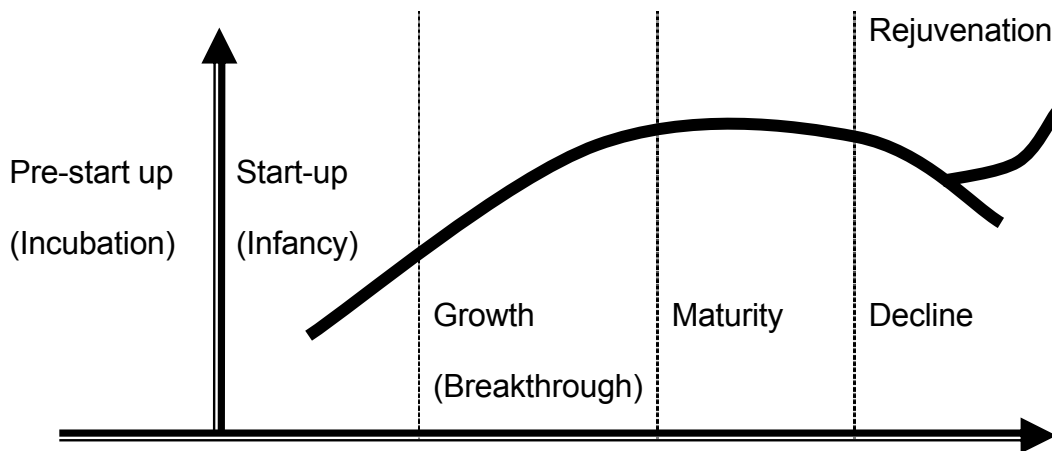
- i. Where are the opportunities?
- ii. How does one capitalise on these?
- iii. What resources are needed?
- iv. How does one gain control over these?
- v. What structure is the best?

It is stated by Bolton and Thompson (2000: 50) that the growth of the business is determined by endogenous and exogenous factors where a favourable environment facilitates the realisation of growth goals and a certain management capacity is required for the control of the growth process. Personal motives may also contribute toward the growth of the business. The research by Frank, Mugler and Roessl (1991: 241-4) indicates that there is a relationship between management intensity and growth of a business. Growth oriented businesses have a higher planning intensity and dedicate more time to planning the future, have longer planning horizons and have higher planning frequencies. A more customer-oriented approach differentiates growth oriented from non-growth oriented businesses. The general economic environment does not contribute to differentiating between businesses with and without growth goals. The research concludes that qualitative management capacity is the dominant contributor for the growth of SMMEs.

Crijns and Ooghe (1996: 8) maintain that in order for SMMEs to grow they need to consider their orientation toward growth, the strategic planning process and their internal and external growth plan. The focus has to be for a transition from an operational to a professionally managed business. A further factor that the SMMEs have to consider as a factor in their growth process is the structure of the SMME and membership of the entrepreneurial team toward an open and professional membership. Crijns and Ooghe (1996: 2) indicate that business growth is a result of two environments in which the SMME operates: the external environment and the

internal environment. In general it can be viewed that the development and growth of SMMEs can be attributed toward how quickly the entrepreneur, the business team and organisation can adapt and learn from the experiences in combination with the external and internal environments.

Nieman, Hough and Niewenhuizen (2003: 237), Davig (1986: 39-40), Webster (1998: 209-210), O'Neill and Saunders (1988: 1-7) and Cooper (1982:201) underscore that in order to understand and manage growth, it is essential to understand the concept of a venture life-cycle (VLC) and its underlying characteristics. This is illustrated in Figure 3.1 hereunder:



**Figure 3.1: The Venture Lifecycle (VLC) Model of business growth**

Source: Nieman, Hough and Niewenhuizen (2003: 238)

The **incubation stage** includes all the necessary steps to reach start-up and is the real entrepreneurial activity. It is critical that an entrepreneur takes cognisance of the factors influencing growth in the pre-birth stage as many decisions taken at this stage will influence growth at the later stages. Three components that are identified as contributing toward the growth of the business: the starting resources of the entrepreneur (the elements of this component need to be assessed in order to determine the entrepreneurs' access to resources), the business, and, the strategy (refers to the managerial actions of the business owner that are required to make the SMME grow once it has started and are likely to be associated with more rapid growth rates: staff training, external equity technology, market positioning and

adjustments, planning, new products, management recruitment, state support, client concentration, competition, information, exporting (Nieman, Hough and Niewenhuizen, 2003: 239; Wincent, 2005: 439).

During the **start-up or infancy stage** the entrepreneur may struggle to achieve break-even as the new tourism products or services are introduced. The SMMTE owner, at this stage, is close to the business and should be able to spot obstacles and quickly act to remove these, growth is seen as slow. The critical factors that need to be considered during this stage are: Timing (the exact timing of the start-up phase, due to the seasonality of tourism, is crucial as it affects the financing of the SMMTE), flow of funds (there will be an in and out-flow of funds into the business in order to set-up the infrastructure of the SMMTE), and start of business (the business starts to operate when the first transactions take place) according to Nieman, Hough and Niewenhuizen (2003: 240).

The **breakthrough or growth stage** sees an acceleration of growth and resources are under pressure. The growth may be so fast that the SMMTE owner may not be able to keep up. Simultaneously, the competition may become stronger and problems such as cash flow, production, delivery and the appointment of staff may be surfacing. This is viewed as a dangerous lifecycle stage as most SMMTE failures occur during this time emphasise Nieman, Hough and Niewenhuizen (2003: 240) and Deakins (1996: 190-197).

The **maturity stage** requires that the SMMTE owner has to learn to manage time and to delegate. The number of decisions and activities outnumber the time available and the SMMTE owner has to increasingly rely on other staff members to perform major functions. By this stage the business may be enjoying retained profits and benefits of secured long term loans and it may have established products or services that are sold through a multiple of distribution channels (Nieman, Hough & Niewenhuizen, 2003: 240).

The **decline or rejuvenation stage** serves to warn the SMMTE owner against complacency. Decline is not inevitable in the life cycle of the business but it will occur if the business does not constantly develop new and innovative ideas. The entrepreneur needs to be aware of the signs of decline in order to rejuvenate the business during this stage. Creating an environment that is

conducive to creativity and innovation can rejuvenate the SMMTE on an ongoing basis and can mean that the SMMTE can go through the various stages of the lifecycle again (Nieman, Hough and Niewenhuizen, 2003: 240).

A number of SMME growth models have been developed, according to Poutziouris (2003: 190-191), each founded on the assumption that business development can be segmented into distinctive stages. Four approaches to understanding the growth process of SMMEs are provided:

- i. Personality dominated approaches assess the impact of personality and capability of the SMME owner's personal goals and strategic business aspirations.
- ii. Organisational development approaches seek to characterise the growth pattern of the business across stages of development and how changes in the market, finance, ownership and control regimes, management styles and family business tradition influence the growth.
- iii. Business management approaches focus on the importance of business acumen and the role of functional management, planning, control and formal strategic orientation in terms of shaping the growth and performance of the business in the market place.
- iv. Sectoral approaches focussing mostly on the identification of growth constraints and opportunities relating to small business growth in the context of regional development or the development of specific industries.

Due to a lack of a comprehensive theory on growth, state Frank, Mugler and Roessl (1991: 231), a frame of reference for the growth of SMMEs has been developed. The main categories of this are:

- i. the environment (that is divided into competitors, customers, line of business and culture);
- ii. the business (that divided into size, type of foundation);
- iii. the entrepreneur (personal attributes); and

- iv. the managerial behaviour (that divided into growth goals, management, planning behaviour).

Webster (1998: 210) however counters the aforementioned growth models by stating the following by Gray (1993):

*“It is a fundamental neo-classical economic assumption, which ignores the reality of small business management and the fact that only a tiny minority of small firms ever grow to a size where internal functional divisions and professional top management teams are in any way feasible. Even as a model for entrepreneurial development it appears to be too static and unreal. It is assumed that a management learning process occurs but, by and large, these models do not provide an explanation of why the firm was founded in the first place and what relation there is between the founding motivations and objectives and subsequent developments”.*

### **3.2.4 Strategic planning and management**

*“Strategy is determining what you want to be.*

*Planning is the best route to get there.*

*An orderly and dependable future awaits those who employ proactive strategy and planning, leaving plenty opportunity for entrepreneurial detours along the way”*

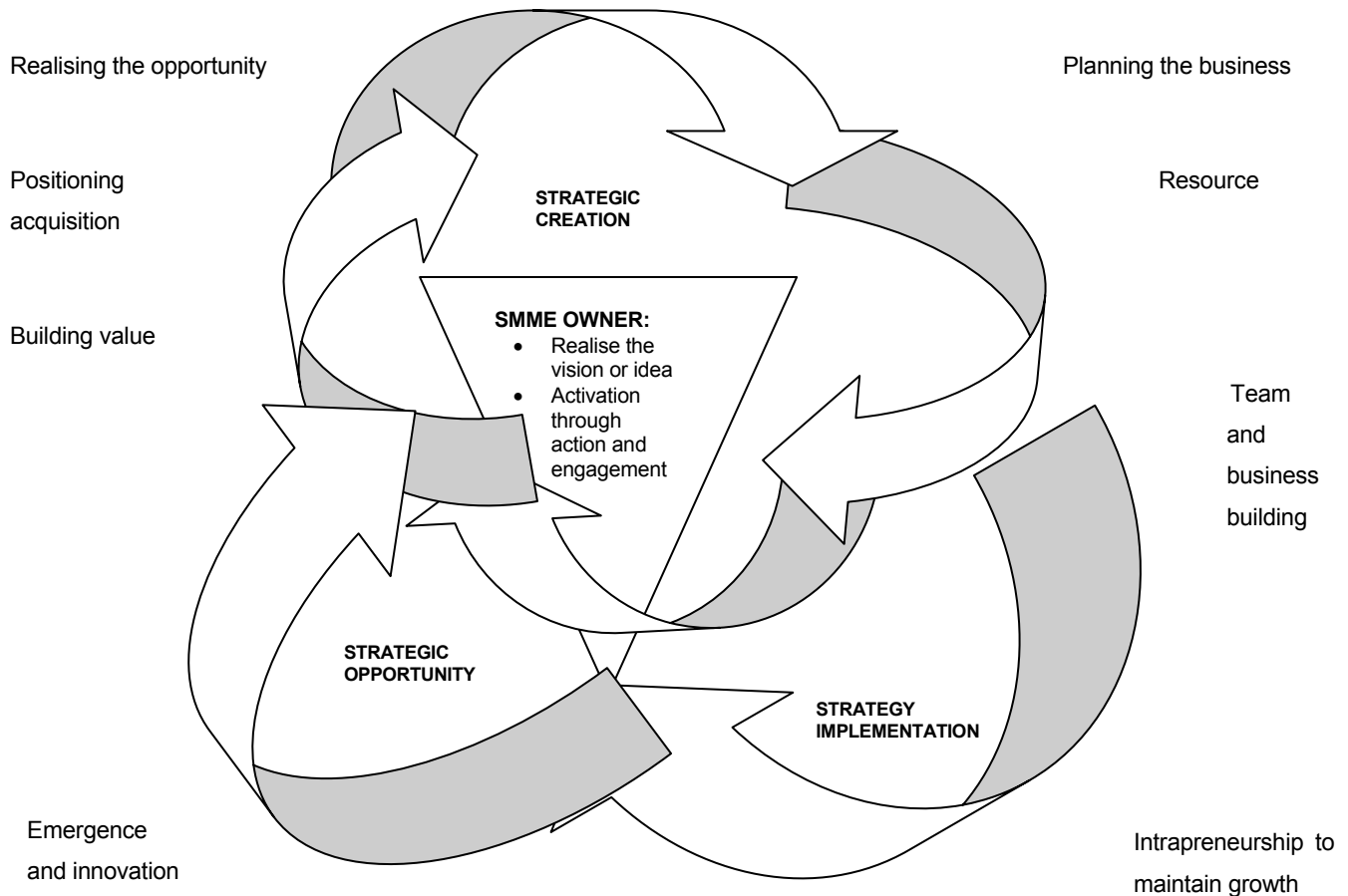
*(Schell, 1993: 166).*

Entrepreneurs who succeed, according to Bolton and Thomson (2004: 85), and Whittle (2000: 60), have a purpose and direction, and they build value which they accomplish with successful strategies which have been defined as “means to ends”, namely, ways of achieving objectives and fulfilling the purpose of the business. Visionary entrepreneurs (Bolton and Thomson, 2004: 97) include the entrepreneurial leaders and the lead entrepreneurs who see strategy as a mental representation of a successful position or competitive paradigm inside their head. It could be thought through quite carefully, or, it could be intuitive. This representation then serves as an inspirational driving force for the organisation. The vision alone is not adequate, the entrepreneur needs to persuade others- customers, partners, employers and suppliers- to see

it, share it and support it. Flexibility is always an inherent factor; detail emerges through experience and learning. It is further stated that most successful entrepreneurs perform two key roles, a charismatic role and an architectural one, effectively. The charismatic role involves establishing and gaining support for a winning vision and direction, empowering employees and motivating them, gaining their enthusiastic support for what has to be done. The architectural role concerns building an appropriate business structure, together with systems for controlling and rewarding people.

SMME owners, argue Bolton and Thomson (2004: 87), are the central figures in their business that input their vision, realise where and what the *opportunity* is, engage it and stimulate action (ref. Figure 3.2). To grow and develop the business, the business needs to be *strategically positioned* (ref. Figure 3.2) in the market where it can offer, or seen to be offering, something which provides value to the customer. Either the tourism product or offering is significantly different from everything else, or it offers 'better value' perhaps by being cheaper but not of lesser quality. *Strategic positioning* (ref. Figure 3.2) is the process of identification and exploitation; prioritisation of customer needs, and creating value. Strategic positioning, indicate Bolton and Thomson (2000: 52) and Kirby (2003: 218), is a convergence between the business environment (for example, customers and competitors) and business's resources. This is where the business possesses strategic (or core) competences to enable it to effectively identify the relevant environmental key success factors. It is underscored that strategic positioning is not a source of co-operative advantage but the activities that the business develops, and sustains with change, making strategic positioning a competitive advantage. "Finding this position", continues Bolton and Thomson (2004: 87), "is the theme of strategy creation". Planning plays a central role in the process; it is the actual implementation of the idea that is planned, rather than the idea itself, which may have been realised opportunistically, largely reliant on the entrepreneur's attentiveness and insight of the market which is important. This planning is seen to be flexible rather than rigid, as implementation is a learning process with ideas refined with experience (ref. Figure 3.2).





**Figure 3.2: The entrepreneur - seeing and activation opportunities**

Source: adapted from Bolton and Thomson (2000: 51, and 2004: 88)

*Strategy implementation* is the process of finding the resources required, and understanding and managing the risks involved. *Strategy change* is about ensuring that there is creativity and innovation in the business (Bolton and Thomson, 2000: 52). Thus, the team and organisation building become increasingly significant within the SMME (Bolton and Thomson, 2004: 88). Success is maintained by innovation and *strategic change* which keeps an SMME perpetually a few steps ahead of its competitors (ref. Figure 3.2).

Identifying an opportunity, crafting a strategic response and implementing that strategic response is seen as a continuous loop where the SMME owner has to ensure that new strategic opportunities are identified for the SMME owner not to risk the business facing a crisis sooner or later. This circular loop of opportunity must be maintained with change (a constant

flow of new ideas) and is illustrated in Figure 3.2. If SMMEs lose this momentum, and the ideas dry up, the SMMEs potentially could, sooner or later face a crisis point and the need for new strategic leadership will be required before growth can be restored with such SMMEs (Bolton & Thomson, 2004: 89).

SMMEs, according to Kirby (2003: 215), are characterised by simple structures and adhocracy, regarded by some as somewhat chaotic with business owners at times sometimes finding themselves going in many directions, attempting to seize multiple opportunities, overcoming staffing and financial problems, establishing a presence in their market place and managing greater than expected growth. Kirby (2003: 215) states that the strategic management of SMMEs is essentially a balancing act between order and chaos. Further consideration has to be given to the effect of business events over time, namely, SMMEs are too focussed on the present, and future, but have little regard for the past and the lessons that can be learnt from the past.

Dealing with the future is an essential activity in the operation and management of SMMEs, regardless of size. Research has found that planning incidence may be overstated with only about 35 percent of SMMEs being planners and only about half of these SMMEs being found to be consistent planners. Firm size has long been considered an important influence on SMMEs' strategic processes where such processes should include planning. It has been found that as SMMEs become larger, they have greater available resources, and increased internal differentiation which leads to a likelihood for increased strategic planning (Gibson & Cassar, 2002: 171, 173, 181, and Gray, 2002: 62). After a SMME is founded, states Cooper (1992: 194), a number of strategic options may be followed: discontinuance (with or without financial loss to the creditors or founders); survival as a marginal business (as the business may be part-time in nature or because the owner is willing to accept a sub-standard return); and the business may grow (demonstrating various degrees of success; or at some point was acquired by other established organisations, or another entrepreneur).

Research by Parker (2004: 1-2) has sought to determine the extent to which entrepreneurs rely on past experience when making decisions about their businesses' and the extent to which they utilise the new information about their businesses performance to learn about their true, but

unknown, abilities and trading environment. It is stated that the formation and development of businesses involve ongoing adjustment of original plans and beliefs possibly through a process of trial-and-error. It is further believed that SMME owners adjust their beliefs by imagining them and comparing the latest noisy signals about their unobserved productivity with their prior expectation. Any gap between the two conveys potentially valuable information that the entrepreneur can exploit. It is contended that a learning approach based on ongoing adjustments is likely to describe entrepreneurs' actual behaviour better than an assumption of "rational expectations". *Rational expectation* however implies that agents learn all that there is to know immediately, making only unsystematic and unpredictable forecasting errors and presume a level of knowledge and awareness that few entrepreneurs are likely to possess in reality. The research concludes that on average entrepreneurs adjust their expectations of unobserved productivity in the light of new information by around 16 percent, suggesting that entrepreneurs do exploit new information but give greater emphasis to past experience when formulating their expectations. Few differences are evidenced in terms of gender; employers and non-employers; and experienced and less experienced entrepreneurs. Younger entrepreneurs, however, appeared to respond significantly more sensitively to new information than older entrepreneurs, with adjustment rates of 21 percent compared with 14 percent, respectively.

The success or failure of an SMME, according to Young (1987: 1), hinges upon the frequently idiosyncratic behaviour of the owner-manager of the business which will be manifested in the business's overall behavioural characteristics and strategies. Van Zyl and Mathur-Helm (2007: 17) state that the fit between the entrepreneur, the organisation and environment and the impact of the success of an SMMTE is important. It is further implied that the smaller the business, the larger the overlap between the entrepreneur and the organisation, and thus, the role of the entrepreneur becomes important as this impacts on business performance. There is a broadly held perception that entrepreneurs engage in risky behaviour whilst growing, planning and conducting their business. Mullins and Forlani (1998: 8), Cressey (2006: 104), and Norton and Moore (2004: 215-6) however maintain that entrepreneurs, do not necessarily engage in riskier behaviour than non-entrepreneurs but rather entrepreneurs assess risk differently. Norton and Moore (2004: 222-4) maintain in their findings that entrepreneurs do not differ much

from non-entrepreneurs on risk taking propensity (the tendency to take or avoid risk). It is further stated by Mullins and Forlani (1998: 1) that “careful and prudent management of risk may more accurately characterise successful entrepreneurs” and suggest that entrepreneurs appear to be more discriminating in their assessment of new venture opportunities, consistent with the view that entrepreneurs are prudent managers of risk.

Strategy is seen as a crucial ingredient in the survival of an SMME and its absence is often cited as a primary cause of the failure of SMMEs (Chan & Foster, 1999: 58; Gibbons & O'Connor, 2005: 171). Roper (1998: 12), Birley and Westhead (1992: 256-258), Van Zyl and Mathur-Helm (2007: 18-19), and Modarres-Fathee (1998: 1-9) however state that whilst there is consensus that planning is important, there is less agreement as to the nature in which it contributes toward superior performance.

Performance, according to Van Zyl and Mathur-Helm (2007: 19), of SMMEs could be determined by the personality of the owner. Entrepreneurship cannot be limited to a one-dimensional perspective, but involves a combination of wide-ranging philosophies that collectively describe the phenomena. Entrepreneurial leadership is also described as a multidimensional construct, which consists of technical, psycho-emotive and the ethical dimensions which are considered also to influence performance. Consequently, the previous focus on the performance/ planning dimensions is seen as too narrow but it is one aspect that the SMME must account for in its performance.

Managerial systems and structures, and planning procedures modelled on large, established firms are inappropriate. It is stated that some research has found that organisational effectiveness is contingent on the stage of development of the SMME whilst other research indicates that superior performance in planning firms is present in all stages of development. It is further stated that SMMEs have a propensity to change their planning process every time the business reaches a crisis point. Other research suggests that SMMEs engaged in planning failed to out-perform non-formal planners on a number of critical business performance indicators. It is stated that it is not planning *per se* that contributes toward improved business performance but the type of planning process that is utilised and the length of time an SMME

has been planning. It is the quality of the planning rather than the time spent on planning that is the most appropriate determinant of business performance.

Increasingly there is a shift toward recognising the multidimensional nature of the strategic planning formality construct. This includes the relationship between the personality traits of SMME owners (achievement need, innovative preference, and risk propensity), the incidence of planning and the relationship between planning and demographic factors. It is stated by McCarthy (2003a: 328) that small business managers may use planning activities to improve their understanding of the risk inherent in their business and guide their risk taking. Entrepreneurs are expected to plan but small business owners are not expected to plan to the same depth. The discussions of both strategic planning and organisational performance show that the research in this area is fragmented and contradictory. There is disagreement as to the contribution which planning makes to the performance of SMMEs. This may be due to the fact that the analysis is usually based upon structured planning as found in larger organisations. Strategic planning is a scarce, fragile commodity in SMMEs as most SMMEs do not engage in true strategic planning and may do so only sporadically or temporarily (McCarthy, 2003a: 329).

An array of strategy models, according to Lussier (1998: 1) and Athanassiou, Crittenden, Kelly and Marquez (2002: 141-143), have been formulated for use by SMME owners in the development of strategy. Better-known models include: the Boston Consulting Group Matrix; Michael Porter's 1980 Generic Competitive Strategies Model; Miles and Snow's 1978 Adaptive Strategy Typology; Lumpkin, Shader, and Hills's 1998 Entrepreneurial Orientation Construct; and, Sonfield, Lussier, Greene, Corman and Frazer's 1997 Entrepreneurial Strategic Matrix. Each of these models is supposed to relate various independent variables of organisational situation and strategy, to organisational performance.

Van Gils, Voordeckers and Van den Heuvel (2004: 589) state that classic strategy literature suggests that strategy is formulated by relating an SMMEs industry situation with its own strengths and weaknesses; whilst, other SMMEs may utilise their competencies, to stretch their resources and develop new market positions. Strategic planning, argue Hynes (2003: 2-3) and Naffziger (1999:1-11), is a management tool concerned with producing fundamental decisions and actions that will shape and guide a business toward what it is, what it does and why it is

done, with a focus on future outcomes. Planning is seen as strategic because it is concerned with preparing the best means to respond to the circumstances of the business's environment, with or without the circumstance being known in advance but being clear about the businesses objective and resources. It involves the allocation of resources to programmes that are activated to achieve a set of business goals in a dynamic, competitive environment. Conversely, strategic management treats strategic thinking as a pervasive aspect of running a business and regards strategic planning as an instrument around which all other functions are integrated. Strategic planning is thus the process, namely, the succession of human activities, whereas management develops a definition of what the mission is, formulates specific objectives from the definition and from interpreting the situation of the SMME in its environment chooses a strategy.

Most businesses, according to Thompson (2001: 17-18), have three interrelated and interdependent levels of strategy:

- i. corporate (the strategic perspective of the whole organisation);
- ii. competitive (the search for distinctive strategy for each product, service or business in the business); and
- iii. functional (the activities that support the competitive strategies in the business).

There may be businesses, indicates Thompson (2001: 17-18), which produce more than a product or service for one or more market segment. The SMME is responsible for producing and marketing this product or service to the identified target market. This is called the competitive strategy and is concerned with creating and maintaining a competitive advantage in the identified area of business. This competitive advantage is achieved through a unique and distinctive combination of functional activities such as production, marketing and human resource. This is the so-called functional strategy that is designed and managed in a co-ordinated manner in order to ensure that they interrelate with each other and allow the competitive strategy to be implemented properly and help to distinguish the business from its competitors. Corporate strategies are concerned with the strategic perspective of deciding what business focus the business has and how the overall group of activities should be structured

and managed. In SMMEs it is found that corporate and competitive strategies are synonymous. Kotey and Harker (1998: 3) state that there are only two levels of strategy in SMME: business and functional. This is in the light of SMME specialising in one or few products or services and the business owners are individually responsible for the development, manufacture and marketing of these products or group of products. The business owner decides on the business's objectives and chooses a competitive position for the enterprise in its selected product or market. Further, business owners are responsible for translating business strategies into functional area strategies.

Strategic management is concerned with environmental fit and it is important to achieve congruence between the environment (the source of opportunities and threats), values (and culture) and resources (the strengths and weaknesses, strategic competencies and capabilities which match or fail to match the environmental needs) for the existing and potential future products and services of the business - the so-called E-V-R (environment-values-resources) congruence model (Thomson, 1999: 283). The environment can be seen as the windows of opportunity that a business has, the resources are representative of the organisational competences and capabilities. The SMME owner has the duty to ensure that the resources are developed and changed, and, to exploit the windows of opportunity that the business is presented (Thompson, 2001: 428).

SMMEs, according to Dilts and Prough (1998: 32) and Davig (1986: 38) operate under conditions which contrast sharply from those of large organisations. They are not just smaller versions of large organisations. Typically, SMMEs face different strategic options as they operate under severe resource constraints, lack specialised managerial expertise (in many cases) and often have different and less aggressive objectives. Most SMMEs confine their strategic options to focussing on the market opportunities in which they have sufficient resources to compete effectively. SMMEs, indicate Schindehutte and Morris (2001: 84), often have no formal, written statements of strategy or those that are specified are in very general terms. The actual strategy may sometimes have to be deduced from evolving patterns of behaviour and resource allocations. It may, or may not, be intentional and frequently emerges through a series of incremental adjustments to the opportunities and threats that confront the SMME. The research by Schindehutte and Morris (2001: 103) found that it is far more important

for the entrepreneur to have a concept that loosely fits the opportunity, then to proactively adapt things as they evolve, than to lock the SMME into specific commitments that limit the businesses' future options.

Strategy can be described as a pattern of action and resource allocation to achieve the goals of the SMMTE (Nieman, Hough and Niewenhuizen, 2003: 245). Strategic decisions can be identified as those that utilise the SMMTEs threats and opportunities to enhance the long-term prospects of the business. By nature, strategic decisions are more complicated and ill-defined, characterised by inter-connectedness to other problems, uncertainty in a dynamic environment, ambiguity dependent upon view-point, and conflicting trade-offs associated with alternative solutions (Rajagopalan, Rasheed & Datta, 1993: 275, and Hall, 1995: 73). The value of strategic planning in SMMEs, according to Piëst (1994: 387-8), is dependent on the circumstances facing the SMMEs and that the "content of a strategy is affected by the processes whereby the strategy is developed and implemented"; this is because of the congruence between the strategy of an SMME and the processes that take place within the SMME. Piëst (1994: 388) further indicates that it is probable that the processes available to owners-managers of SMMEs are affected by previous strategic decisions.

Lyles, Baird, Orris and Kurakto (1993: 38) state that the formality of planning does not represent what actually takes place during the strategic decision process. Planning formality and the decision process used are two separate constructs. It is stated that it is possible to have a highly formal planning system that is not associated with comprehensiveness in the decision process. The relationship between these two factors needs to be analysed carefully. Further research does indicate that formal planning systems can enhance the decision-making process by encouraging creativity and new ways of thinking about the future. Formal planning can however alter the overall strategy decision process. Lyles et al (1993: 47-48) found that there was a significant difference between formal planners and non-formal planners in their emphasis on dimensions of the strategic decision-making as well as in the range of strategic choices made. It underscored that it is the process of planning and not only the plan that is central in evaluating the outcomes of strategic planning in SMMEs. It was found that SMMEs that adopted the formal planning process would also place a greater emphasis on improving the quality of the strategic decision-making process. The process that includes the formulation of



the elements of goal formulation, developing distinctive competences, determining authority relationships, deploying resources and monitoring implementation receives more effective attention when SMMEs engage in formal planning. The SMME owner is seen to develop a more complete knowledge of strategic management issues within the business. It was also found that another outcome of formalised planning by SMMEs was that as a wider range of strategies were viewed as important for the formal planning process; SMMEs are seen to consider and adopt more strategies. The research however does conclude that there is no significant difference in terms of Return on Equity and Return on Assets between SMMEs with formal and non-formal strategic plans, but, there is a significant difference between the two groups on the growth rate of sales. There is little separation between the strategic thinking / decision-making of the SMME owner and the formal planning system with planning leading to better decision-making and ultimately better decisions for the business as a whole.

The lack of formalised planning in some SMMEs causes contextual problems in terms of establishing and applying the existing body of literature on strategy to SMMEs. Hynes (2003: 7) highlights a number of factors that militate against the adoption or application of more generic strategic processes:

- i. Any vision of growth or configuration is emergent and rarely formalised by the SMME.
- ii. There are often a dichotomy between the planning process (satisfy the stakeholder) and the entrepreneur's long-term strategic view (often informal and a hidden agenda).
- iii. The strategic paradigm is often not communicated or agreed with other stakeholders by the SMME owner.
- iv. Strategies are emergent and adaptive.
- v. Strategic rhetoric is used to communicate with peers and stakeholders and not used with the employees.
- vi. The strategy process often lacks analytical credibility as there is often too much choice and implementation is left without resources to analysis, reflection and evaluation.

Certain individuals, according to Hynes (2002: 8-9), are more prone to strategic thinking than others where the influencing factor lies in such persons' need for structure; the lesser the need for structure, the more open to strategic thinking the person is. It is argued that the presence or absence of formal planning in an SMME is not the differentiating factor between firms which are successful and those that are not. SMME owners have a tendency to perceive ambiguous situations as desirable rather than threatening and have a vision to continue even after times of uncertainty. Informality in strategy formulation emphasise Kurakto and Welsch (1994: 8), Kraus (2006: 4), and Ateljevic (2007: 311) does not equate to a lack of managerial and planning competence.

The process of strategy, according to Unger (2004: 6-7), Kickul and Gundry (2002: 86), and Verreynne (2004: 16-17), includes the way in which SMME owners try to achieve their goals through scanning the environment for opportunities, showing initiative, taking action and persevering until they reach closure by bringing about change. In the pursuit of strategic contents, business owners differ with regard to the amount of planning and proactiveness involved. Four psychological process strategies are distinguished: comprehensive planning, critical point, opportunistic, and, reactive strategy. A comprehensive strategy involves proactiveness and planning on the part of the SMME owner. A person using this strategy proactively structures the business situation, specifies single steps to be taken, and develops contingency plans in case something should go wrong. In contrast, critical point strategy represents a type of localised planning where only one critical point is planned and once solved, a new critical issue is addressed. SMME owners using this strategy scan the environment watching for new opportunities. A reactive strategy neither involves planning nor proactiveness. Actions by the owner using this strategy are mainly driven by situational demands. Frese, Van Gelderen and Ombach (2000: 1-2) indicate that cognitive and action theories differentiate the following process characteristics of strategies:

- i. **Complete planning:** this form of planning implies that planning is proactive, the planner actively structures the situation, is a more comprehensive representation of the work process, longer timeframes in which to plan to ahead, larger inventory of signals, better knowledge and anticipation of error situations.

- ii. **Critical point:** this form of planning concentrates on the most difficult, most unclear, most important first. Only after solving the first critical point are further steps planned. This process constitutes an iterative problem strategy - with a clear goal in mind and a concentration of tasks relevant to it.
- iii. **Opportunistic:** this form starts out with some forms of rudimentary planning but deviates from these plans easily when opportunities arise. This strategy is neither top-down or systematic. Although it implies a certain amount of local planning, it has the risk of losing sight of goals or letting goals be determined by the opportunities.
- iv. **Reactive:** this form is completely driven by the situation, does not plan or work toward considered goals, and simply reacts to the immediate situational demands without attempting to influence them.
- v. **Routine / habit:** this form is driven by simply following one routine without any explicit or considered choice of strategy, it is considered a strategy for redundant environments where there is little planning or proactivity but people know of their environment. There is little learning because essentially things are the same way as in the past.

The first four strategies can be differentiated according to a degree of goal orientation, length of long-term planning, situational responsiveness, proactiveness, and the overlap between planning and action. Table 3.1 describes the strategy characteristics of these dimensions.

**Table 3.1: Strategy characteristics**

<b>Strategies</b>	<b>Orientation to goal</b>	<b>Long-term planning</b>	<b>Situational responses</b>	<b>Proactiveness</b>	<b>Planning and action overlap</b>
<b>Complete planning</b>	high	high	low	high	low
<b>Critical point</b>	high	middle	middle	high	middle
<b>Opportunistic</b>	low	low	high	high	high
<b>Reactive</b>	low	low	high	low	no planning
<b>Routine/habit</b>	low	low	low	low	no planning

Source: Frese, Van Gelderen and Ombach (2000: 3)

The research results of Frese, Van Gelderen and Ombach (2000: 11) indicate that both Critical Point and Reactive strategies are significantly correlated with the success of SMMEs. It is further found that certain strategies are used in combination by SMMEs with the most successful combination being Critical Point and Opportunistic strategies' whilst, the least successful combination being Opportunistic and Reactive strategies. It is further noted that the most frequently used successful combination was the Critical/Opportunistic strategies.

### **3.2.5 Defining strategic behaviour: Rationale and motivation**

Behaviour, according to Trumble (1983: 24-25), can generally be described as a goal directed activity in that a person's behaviour is motivated by the desire to attain a goal. Not all goals, however, are consciously perceived by the individual, some are perceived sub-consciously, and therefore difficult to analyse and evaluate. Behaviour can also occur as a result of situational factors acting as stimuli for a behaviour response. To be able to predict behaviour it is necessary that a response to a specific stimulus is relatively stable over time, so that each time a particular event takes place the subject will respond in a consistent manner. An inherent problem of predicting behaviour is that it is not always consistent and that an observer has to be aware of all variables. It is further noted that individuals tend to respond differently to different stimuli. From this has arisen the study of individual differences which seeks to explain why people behave differently and why they have different goals. Trumble (1983: 28) states that

entrepreneurial motives are impulses that invoke behaviour. A particular motive or set of motives can invoke specific entrepreneurial behaviour.

Given the volatility of the marketplace, according to Hynes (2003: 4-6) and Wyer, Mason and Theodorakopoulos (2000: 245), strategic thinking is a more applied form of strategic planning. Strategic planning is seen to often spoil strategic thinking whereby SMME owners can confuse real vision with the manipulation for number crunching. Strategic thinking is described as a method for finding the vision and obtaining continual invigoration for that vision. Further, it is about finding the creative traits that are vital at the individual level if an SMME wants to develop strategic thinking as a core competency, taking the holistic view or systems perspective of the SMME. Strategy and its interpretation and presence in SMMEs, argue Hynes (2003:10-11), can be best examined by identifying the strategic orientation or awareness of the business owner. Strategic awareness is thus the process of continually improving how to identify and conceptualise one's own world, recognise events in the world, interpret these events and make decisions on taking appropriate action. Strategic awareness is about being able to manage and pre-empt change and deal with the uncertainties that change may bring to the business. It is undertaken from the mindset and world of the business owner which is critical to consider when evaluating the business's level of strategic awareness. Strategic awareness can be considered on a continuum with businesses exercising differing levels of strategic awareness at different times and situations. It is underscored that being strategically aware does not mean that a business will be more competitive, or effective, as the business still has to fully capitalise being strategically aware with the implementation and delivery of opportunities through effective planning, implementation and allocation of resources.

A business's strategy process, according to Wickham (2001: 166), is the way in which the business makes decisions about the strategy content the business wishes to achieve (products sold, markets targeted and the approach in competing). It is reflected in the way the business considers its future, how it selects its goals and the way it decides on how to allocate resources in order to achieve them. Strategy process is embedded in the structures, systems and processes that the organisation adopts, including its culture and the leadership style of the business owner running the business. In the context of SMMEs, write Morrison, Rimmington and Williams (1999: 193) and, Van Gelderen, Frese and Thurik (2000: 166), the one person

often equates the total business, or at least may dominate the decision-making within the business. Consequently, the evolving strategy may in fact primarily be the end-result of one person's thinking, albeit, shaped by history, current management ideologies, environmental factors, available resources, competitive domain of operation and distinctive competencies of the business. Some entrepreneurs are capable of growing along with the businesses, other are not. An entrepreneur's ability to craft effective strategies, at different stages of the business's development, is critical for sustained success. Alternatively, the entrepreneur may need to become more inclusive so as to involve other who have the ability to contribute to strategy formulation.

Strategy formulation and implementation, according to Oosthuizen (1985: 161-162), become more formalised as a business grows larger and more established. Even though strategic behaviour may be an informal part of entrepreneurial activity; it is the formalisation thereof that is emphasised. The SMME owner is seen to have to find a balance between formal and informal strategic behaviour. The strategic behaviour of the SMME owner is often depicted in traditional perspectives as ad hoc and eclectic rather than systematic and professional. Despite an SMME owner having to rely on intuition and gut-feeling, this may not be so with other SMME team members that are involved with the SMME. There seems also to be a strong correlation between strategic behaviour and the level of performance of SMMEs. It is also found that most SMME and newer businesses are influenced by the same factors as the larger and more established organisations (Oosthuizen, 1985: 164). Strategic behaviour is a way of thinking or mindset, rather than a mere management function. The SMME owner is seen to be the top level business strategist who formulates and operationalises the ends and associated means of strategic conduct, as opposed to a more tactical focus (Oosthuizen, 1985: 166).

Proponents of the "deliberately methodological approach", states Hall (1995: 75), advocate a strategic blueprint that should be used by small and large organisations and should include the following elements:

- i. set corporate objectives and targets;

- ii. forecast performance in key areas comparing predictions with targets to assess the strategic task ahead;
- iii. assess strengths and weaknesses;
- iv. assess opportunities and threats;
- v. decide on the appropriate strategy;
- vi. evaluate whether this really is the right decision;
- vii. develop action and business plans; and
- viii. monitor progress.

Such considerations become more relevant for SMMEs as they grow older and larger but until then it is more appropriate to think in terms of the psychology of the owners. This is viewed to have the greatest impact on the strategies that are pursued by the SMMEs that operate in dynamic environments. Proponents of formal planning do not deliberate whether this is appropriate for the context of SMMEs. There is a general misconception, according to Watson (1980: 58), and Livian and Marion (1991: 254) that SMMEs are infantile versions of larger organisations. It is stated by Hall (1995: 75-76) that some strategic behaviour may be conceived through a formal process whilst other may emerge from within the business. The latter may reflect benign or malign developments internal or external to the organisation that may not have been seen at the time of compiling the strategic blueprint. Research by Hall (1995: 76) indicates that SMMEs are more likely to employ a niche market strategy, relying on intuition for key decisions and to structure their businesses informally. Even where strategies appear to have been deliberate, cultural and psychological influences may have had an effect on the process. In SMMEs the goals of the owner are usually also the goals of the business. This is not so in large organisations where power struggles exist between various organisational stakeholders. In small businesses, to some extent, the goals that are formally expressed are usually translated into actual behaviour. The evidence, argues Hall (1995: 79-81), is mixed on whether SMMEs that do *plan formally* achieve higher results than those *that do*

*not*. The research results between studies differ and make it difficult to draw conclusions. Whereas for average growth, to a lesser extent, the change in profits was greater for the planners than the non-planners, there was no correlation for either of these with the degree of planning sophistication that the SMMEs displayed and only a weak correlation with the change in profit and the owner's measure of analytical sophistication. The correlation with growth was however higher. There seems also to be no correlation between the time devoted to long-range planning and the growth or return on assets. It is suggested that higher performers are more likely to consult with stakeholder groups and form planning teams before major planning decisions are made. Some research seems to indicate that there is a negative relationship between formal planning and results, where SMMEs operating with a business plan were operating at a lower profit than those who did not operate with a business plan. In other research Hall (1995: 80) found that there may be a small but positive relationship between the benefits of formal planning and the performance of an SMME. Firms with over five years of planning history seem to out-perform those with less than five years of planning. It is found that when analysed further that those owners who are classified as opportunistic gained more from structured planning than those who are classified as craftsmen. The strategic behaviour of a SMME during the cyclical phases of a business, according to Watson (1980: 64), usually reflects the mentality of the business owner. This behaviour could be aggressive, complacent, slow responding or paternalistic. The business's strategic ability to respond to cyclical behaviour depends on the business owner to assess, through analysis of environmental and economic factors, the business's position on the business cycle curve and provide direction for the business.

Hall (1995: 73) underscores that there is a distinction between strategy and tactics. It is stated that all businesses make strategic decisions, whether or not they use this term to describe what they are doing, namely decisions made about the location of the business, prices and product line, and so forth. Increasingly, strategists are recognising the importance of the strategic process for the formulation of preferred strategies. It is stated by Lazenby (1999: 1-7) that although much has been written about strategic management, strategic planning and other strategic issues, inadequate attention has been given to the importance of entrepreneurial strategic thinking and the importance thereof for small business success. Strategic thinking is



seen to enable a business to think about the future and to respond to changes in the business external environment, where the thinking about the future and environmental changes should be creative, innovative and opportunistic. Strategic thinking requires that thinking must take place about what is important for the SMME and what will influence the business. The answers to the questions will not always be based on analytical data but requires creative and innovative thinking. Insightful questions such as: What is the competitive advantage? Which part of the conventional knowledge about the business might be wrong in future? Which actions could lead to a worst future? What actions might inhibit growth? What actions might lead to a better future? What actions will contribute to growth? Does one see the potential business opportunities that others have not yet seen? Do the personnel have the competency to go after these identified opportunities? One of the key characteristics of entrepreneurial strategic thinking is determining the core competencies of the business. Entrepreneurs, according to Wickham (2001: 167), and Luckkanen, and Rabetino (2005: 59-60), make good strategies happen through leadership, not just planning, and leadership demands listening to people, learning from them and incorporating their ideas into the business. Leadership also implies giving people the latitude to make their own decisions and put their own insight into practice. In this way the business can learn, be flexible, and ultimately, grow. Entrepreneurs have the responsibility for identifying and evaluating strategic options. These options need to be flexible and should be able to evolve as they are implemented by the business. Making the strategy happen is seen as important as crafting it in the first place. The strategy crafting process includes the entrepreneur defining, articulating and communicating his or her vision.

### **GENERIC FRAMEWORK: VARIOUS ISSUES**

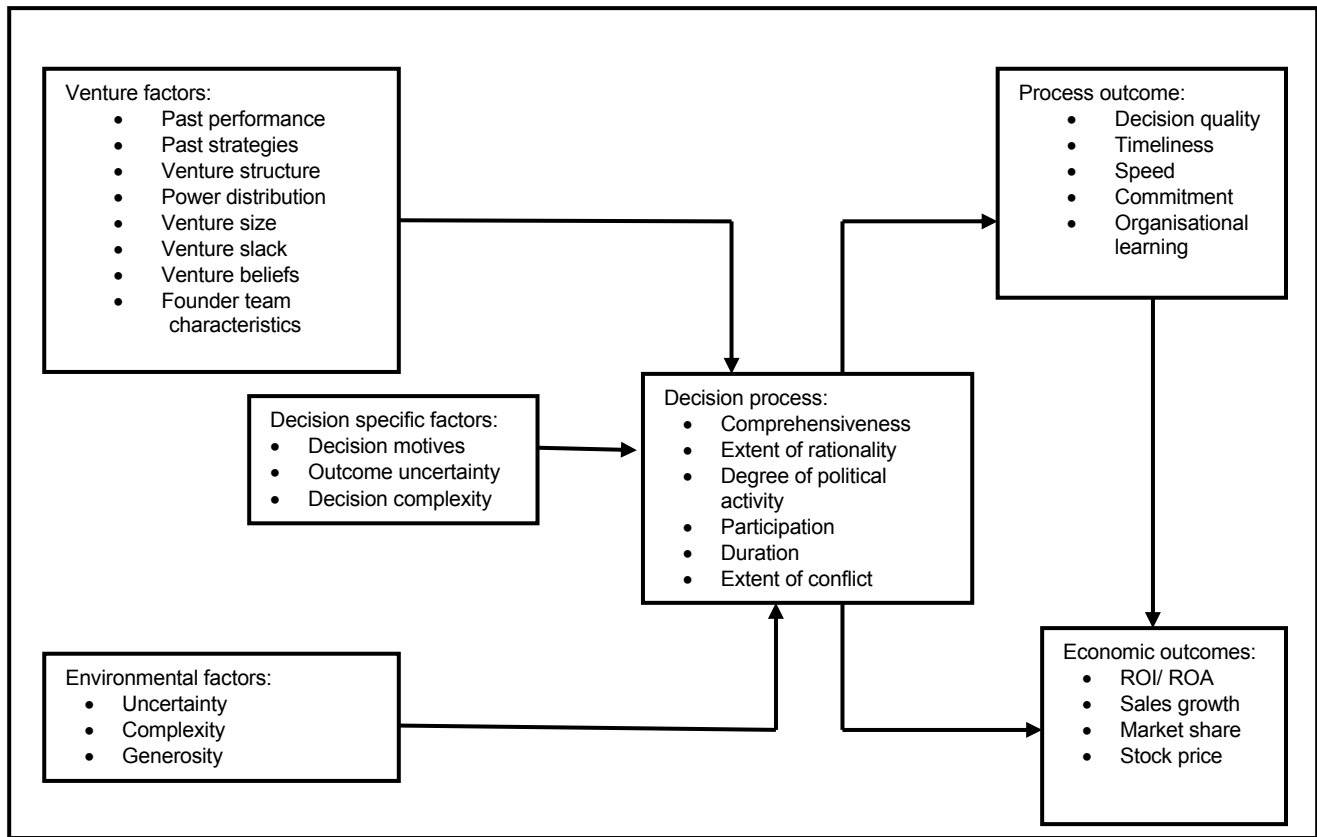
A detailed review of the various strategic decision process models is beyond the scope of this research. Rajagopalan, Rasheed and Datta (1993: 276-280) indicate that there are four main categories of such models:

- i. Rational/ analytical i.e. centralised, integrated power structure where formulations precede implementation (linear);

- ii. Political/ behavioural i.e. dispersed bases of power, existence of groups with conflicting priorities and perceptions where commitment built prior to choice of alternative (iterative);
- iii. Organisational processes / bureaucratic i.e. well established procedures and practices where rules govern actions where implementation is as per standard operating procedures (centralised formulation); and
- iv. Organisational adaptive/ adaptation models: i.e. less centralised and integrated where evolving goals and means are implemented.

Accordingly, these categories reflect the different assumptions about the decision context and different characteristics of the decision process itself. Strategic decisions are seen to be made in the context of two sets of factors:

- i. the business's environment, in terms of its complexity and volatility; and
- ii. the business's conditions such as the internal power structure, past performance, strategies and the extent of organisational slack.



**Figure 3.3: Strategic decision processes: an integrative framework of primary relationships**

Source: adapted from Rajagopalan, Rasheed and Datta (1993: 280)

These sets of factors vary from business to business and even within different businesses. Within some businesses, the process can vary across decisions. This is due to the differences in the motivation for the decision, the urgency associated with the decision, the degree of outcome uncertainty and the extent of resource commitment. Consequently, environmental and business factors as well as decision-specific factors determine a wide range of decision process characteristics such as the duration of the process, the amount of political activity, the degree of comprehensiveness and rationality. In turn the decision process transforms itself into certain process outcomes, namely, the timeliness or speed of the decision, the level of commitment from the business, and the extent of learning the business owner displays. Process characteristics as well as process outcomes in turn influence economic outcomes such as return on investment and sales or profit growth. The interrelationships that are depicted can be described as an integrative strategic decision process framework (ref. Figure 3.3).

### **3.4 BROAD DEFINITION OF STRATEGIC BEHAVIOUR**

Strategic planning popularised in the 1960s has been replaced, states Hynes (2003: 4), by a more hands-on approach that can be described as strategic thinking. Mintzberg, according to Hynes (2003: 4), described strategic planning similar to analysis whilst strategic thinking is considered similar to synthesis. Porter (1986), as in Hynes (2003: 4), states that strategic planning is a process that enables strategic thinking. Strategic thinking could also be described as a method for finding a vision and obtaining inspiration for such a vision. The visionary and creative traits are considered vital at the individual level if a SMME is to develop strategic thinking as a core competency. There is need for the individual to take a holistic view. This view is similar to a systemic perspective which encourages the owner-manager to rise above and beyond the micro-view of the SMME.

Strategic decisions are concerned with the long-term direction of SMMEs and are normally about trying to achieve some advantage for the SMMEs. A strategic decision can be defined as a set of critical actions and dynamic factors beginning with the identification of the stimulus for action and ending with a specific commitment for action (Frishammar, 2003: 318). Teare, Costa and Eccles (1998: 59) indicate that strategy is a pattern, or plan, that integrates an SMME's major goal, policies and action sequences into a cohesive whole. Strategy is described by Mintzberg (as in Gore, Murray and Richardson, 1990: 137, 161-162) as an area of study concerned with the management process that emphasises the long-term future of the entire business, and the external environment. There is an emphasis on getting the strategy right first and later determining the appropriate structure and systems. Strategic behaviour is portrayed as a systematic and sequential decision-making process that begins with strategic analysis of the businesses resources, stakeholder aspirations and environmental situations and then considers the generation, evaluations and choice of strategic development. Thereafter, the strategy is implemented. Teare, Costa and Eccles (1998: 59) add that there is a difference between strategy as a plan and strategy as a pattern, where the former is seen as intended and the latter as realised strategy. Further differentiation is indicated with deliberate strategies, where previous intentions are realised, and, emergent strategies, where the pattern is developed without preconceptions (McCarthy, 2003a: 328).

Strategic thinking, according to Hynes (2003: 4-5) and Bonn (2001: 64), can be seen at the individual and organisational level, as a dual-level approach, assesses the characteristics of the individual strategic thinker as well as the dynamics that take place within the SMME. It comprises of the following at the individual level:

- i. a holistic understanding of the SMME and its environment;
- ii. creativity; and,
- iii. a vision of the future of the SMME.

Strategic thinking at the organisational level provides the context in which strategic thinking can occur, where SMMEs need to create structures, processes and systems that:

- i. foster on-going strategic dialogue among the business team and staff; and
- ii. takes advantage of the ingenuity and creativity of employees.

The art of the strategic thinker, emphasises Hynes (2003: 5), is to formulate creative ideas on how to develop the SMME and to be able to excite other thinkers in the business so that these ideas can be formulated into competitive advantages for the SMME. The main elements of strategic thinking are organisational learning, deeply held values and beliefs, and formal business learning. The evaluation of strategic planning and strategic thinking highlights that there are some differences in their emphasis and process but also a number of common themes and stages.

Strategic thinking is about how the components of an SMME relate to each other within the internal and external environment, now, and in the future. Strategic thinking and strategic planning, argues Hynes (2003:17-18), are considered the central components to any SMME in helping to create business advantage and to master the strategy challenge. In the case of SMMEs, the synergistic effects of both strategic elements (strategic thinking and strategic planning) working together, according to Hynes (2003: 18), is what is needed. Often such strategies for SMMEs require implementation and action simultaneously. It is possible, but not critical, that SMMEs can cultivate flexibility whilst maintaining a degree of control. The crux is

for the SMMEs to be committed to a purpose whilst maintaining some degree of flexibility (Hynes, 2003: 18).

Grundy and Brown (2002: 325-7) indicate that strategic behaviour is important in shaping strategic thinking, and in turning strategic thinking into a reality for the following reasons:

- i. **Creating a platform for influencing.** Many business teams find they need to influence thinking and feeling about strategic issues elsewhere in a business. Unless the teams' internal strategic behaviour is well-aligned internally, it may prove difficult for the team to exert its influence on the rest of the business.
- ii. **Creativity is encouraged.** When a team's strategic behaviour is better orchestrated, there is possibility of a greater chance of its creativity being harnessed. This assists avoiding strategic thinking being purely analytical in style. This is equally applicable to teams full of creative people as well as those teams that are relatively deficient of creative team members.
- iii. **Decisions are actually made, not deferred.** One of the biggest challenges in owner-manager teams is actually not coming to a decision even when the strategic issues have been thoroughly discussed.
- iv. **Discussing the undiscussable.** Many teams find certain issues difficult to deal with which may also be associated with strategic projects and programmes that are drifting, or appear likely to fail. In such instances, the business politics begin to thrive and these strategic issues may remain in the realm of the undiscussable. Unless this zone of debate is opened up, strategic thinking will remain at best only partially effective. Strategic behaviour thus influences the quality of strategic thinking.
- v. **Frustration is avoided and energy accumulated.** In business teams facing numerous difficult strategic issues and where the team behaviour is not really under control, frustration can arise. This frustration can be cognitive, emotional, political or personal. Strategic energy then disperses as problems are not resolved, everything appears to take two or three time longer to be resolved and under these conditions the business team

quickly becomes irritable. Where frustration builds unduly, owner-managers may be inclined (in desperation) to “drive through” strategies, which short-circuit true strategic thinking and set waves of resistance within the team.

- vi. **Informal decision-making.** Frequently, one or more dominant or vocal member in a team results in arguments and concerns because other team members feel they are being marginalised. This results in an unbalanced political climate within the team. Where strategic behaviour is well-managed, there is a more favourable climate for well-focussed strategic thinking which results in more informed and appropriate decision-making.
- vii. **Internal politics are channelled more effectively.** Although every team has to deal with its fair share of internal politics, if uncontrolled, political activity paralyses a business.
- viii. **Mental gaps are enriched.** Owner-managers in established teams sometimes tend to assume that everyone in the team sees the world in more or less the same way. The reality is, even in mature teams, they often do not. Owner-managers need to ensure that they share and compare their strategic mental maps with team members otherwise they will run into turbulent strategic behaviour. Much of what is termed organisational politics is most likely caused by partially exposed mental maps which can result in disagreements. More open strategic thinking thus leads to more harmonious strategic behaviour.
- ix. **Speed of decision-making.** Relatively turbulent strategic behaviour is likely to retard or even stop the progress of decision-making in a team. This can result in a backlog of unprocessed ideas, reduced responsiveness of the team which can have a negative knock-on effect of reducing the responsiveness for the rest of the business, and giving an opportunity for the wrong kind of organisational politics to become established within the business.
- x. **Team commitment is increased.** Even relatively strong and open teams may struggle to deal with difficult decisions such as halting a major project or downsizing the business. Steering around the more awkward behavioural blockages may assist with making decisions more easily, and also with improved balance of evidence and judgement.

The strategic thinking pyramid of Grundy and Brown (2002: 328) is depicted in Figure 3.4 and illustrates where strategic behaviour fits into the strategic process and illustrates the key precondition of extracting value out of strategic thinking. The base of the strategic pyramid is made up of strategic analysis (including SWOT analysis, the five competitive forces and other techniques). The next level of the strategic pyramid is the “so what?” level that needs to be asked after strategic analysis. This, in turn can lead to the generation of radical and creative strategic options which should include not only the “what” (strategic positioning externally) but also the “how” (implementation strategy). The next level on the pyramid is the vision of the business which in turn needs to be manifested in strategic behaviours and action (owner-managers need to distil their strategies into a singular picture or message and then to translate this clear action plan and then adopt strategic behaviour).



**Figure 3.4: The strategic thinking pyramid**

Source: Grundy and Brown (2002: 328)

It is summarised by Grundy and Brown (2002: 332) and, Grundy and Wensel (1999: 327) that strategic decision-making is at best a partly rational process; is frequently based on avoiding the worst, rather than seeking the best outcomes; entails carefully weighing decision



alternatives in a systematic fashion only in exceptional cases; often occurs as a continuous stream of discussion without producing specific, tangible decisions; generates strategy incrementally, rather than as a holistic pattern; and, is frequently weakly implemented. Grundy and Brown (2002: 333) further indicate that it is events themselves, rather than strategic thinking, that are the prime drivers of strategic action. Agendas (personal and strategic) filter strategic decisions on a “go-no go” basis, rather than careful, rational weighing of strategic options taking place. Strategic behaviour is highly influential in shaping the way in which strategic thinking crystallises into action; it appears sometime more crucial than the cognitive processes associated with making specific decisions, and indeed under time and political pressure decisions themselves can become more secondary, even a by-product of the mobilisation process. Strategic inaction plays an equally important role to that of strategic action (strategic inaction can be either intended or unintended). Strategic resources are typically allocated tactically than in a carefully programmed way.

#### **3.4.1 The strategic behaviour of SMMEs (including SMMTEs)**

Strategic behaviour, according to Grundy and Brown (2002: 325), Grundy and Wensel (1999: 326), and Grundy (2000: 93), can be defined as being the cognitive (mental process of knowing, including aspects such as awareness, perception, reasoning, and judgment), emotional and territorial interplay of SMME owners engaging in strategic thinking. Strategic behaviour is the behavioural context for strategic thinking where strategic behaviour is important in shaping strategic thinking and in turning it into reality.

The strategic behavioural design process is described by Kuwada (1998: 720) as the business-created universe of discourse, or, enacted environment. In the enacted environment the basic assumptions are used to define the framework of facts, perceptions, and meaning by which the business operates. Then the business defines the problem space or situation. The business should have rules and procedures to specify environmental factors and the causal relationships amongst these factors. The business should then generate a rational planning process within the problem space and implement strategic behaviour in the environment. Finally, the business observes performance and interprets the results. The overall process of strategic behaviour design is not predetermined but shaped by knowledge and information acquired in each stage

as strategic decisions are made under conditions of limited rationality, uncertainty and ambiguity. Such information is processed into the design process through scanning and interpretation efforts at each stage. Various business factors such as cognitive and political factors need to be considered in the design of the strategic behaviour process so as to cope with ill-structured and social aspects of the design process.

### **3.4.2 The core elements of strategic behaviour**

There is no commonly accepted set of performance variables by which strategic behaviour can be evaluated. Since decisions and activities are rarely documented in SMMEs, strategy patterns are probably not easily visible as in larger businesses (Marlow, 2000: 136). The activities that constitute SMME strategic behaviour may be grouped into the functional type. The overall SMME business strategy may be thought of in terms of functional areas strategies and ultimately in terms of activities, actions and decisions that make up the functional level strategies. The key functional area strategies are indicated by Kotey and Harker (1998: 3-4):

- i. Marketing: includes customer target group and decisions on customer service;
- ii. Finance: includes decisions on capital structure, methods of raising capital and performance monitoring;
- iii. Human resources: staff recruitment and selection, training and performance assessment;
- iv. Production: location and supplier identification; and
- v. Research and development: includes decisions on new products and service development, new production methods.

This implies that the core elements of strategic behaviour are internal and external, as listed in Figure 3.3, and according to Hofer (1991: 48) should include market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related strategic challenges.

### 3.5 SUMMARY

The knowledge of strategic behaviour of SMMEs is very limited due to a lack of quality research. The literature pertaining to SMMEs' management reveals very little about how such businesses actually operate, although descriptive data (number of small firms, failures, etc.) and prescriptive publications (mostly textbooks, etc.) are abundant.

Small business strategic behaviour is described by Chan and Foster (1999: 60, 68), and, Kurakto and Welsch (1994: 10) as being a highly contextual activity and as having short planning horizons, relatively informal or unstructured, irregular, and incomprehensive, characterising SMME strategising as incremental, sporadic and reactive, overall.

The core elements of strategic behaviour are internal and external, as listed in Figure 3.3, and should include market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related strategic challenges. Strategic behaviour is an important dimension to strategic thinking, however many of the frustrations in getting the value out of strategic thinking is related to behavioural constraints. The strategic decision-making process is typically highly fluid and incremental because of the influences of strategic behaviour. Strategic thinking requires an open approach to learning which in turn requires more effective strategic behaviour within the strategic thinking process. It is crucial to focus the team's attention, to expose personal agendas, to share mental maps, and to monitor levels of energy and potential frustration to avoid burnout.

The literature suggests the need for a holistic approach involving the examination of activities in all functional areas, assessing the interrelatedness of these and analysing the internal and external factors that influence the strategic behaviour of SMME owners.

Chapter 4 is concerned with the development of a suitable conceptual framework to empirically validate the strategic performance of SMMEs.

## **CHAPTER 4**

### **A SUITABLE CONCEPTUAL FRAMEWORK FOR EMPIRICALLY VALIDATING THE STRATEGIC PERFORMANCE OF SMMTES**

#### **4.1 INTRODUCTION**

The purpose of this chapter is to present a conceptual framework for empirically validating the strategic performance of SMMTEs. The preceding chapters discussed relevant literature, including strategic behaviour, and form the basis for the empirical investigation of a conceptual model in this chapter.

#### **4.2 CONCEPTUAL MODEL**

The literature study, in Chapter 3, describes the strategic decision process framework (as listed in Figure 3.3) and allows for the identification of core elements of strategic behaviour that are internal and external and includes market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related challenges. This set of factors varies from venture to venture and even within different ventures and within some ventures the process can vary across decisions which make an investigation in the strategic behaviour a very complex issue. Consequently, environmental and venture factors as well as decision-specific factors determine a wide range of decision process characteristics such as the duration of the process, the amount of political activity, the degree of comprehensiveness and rationality. In turn the decision process transforms itself into certain process outcomes, namely the timeliness or speed of the decision, the level of commitment within the venture team, and the extent of learning the venture owner displays.

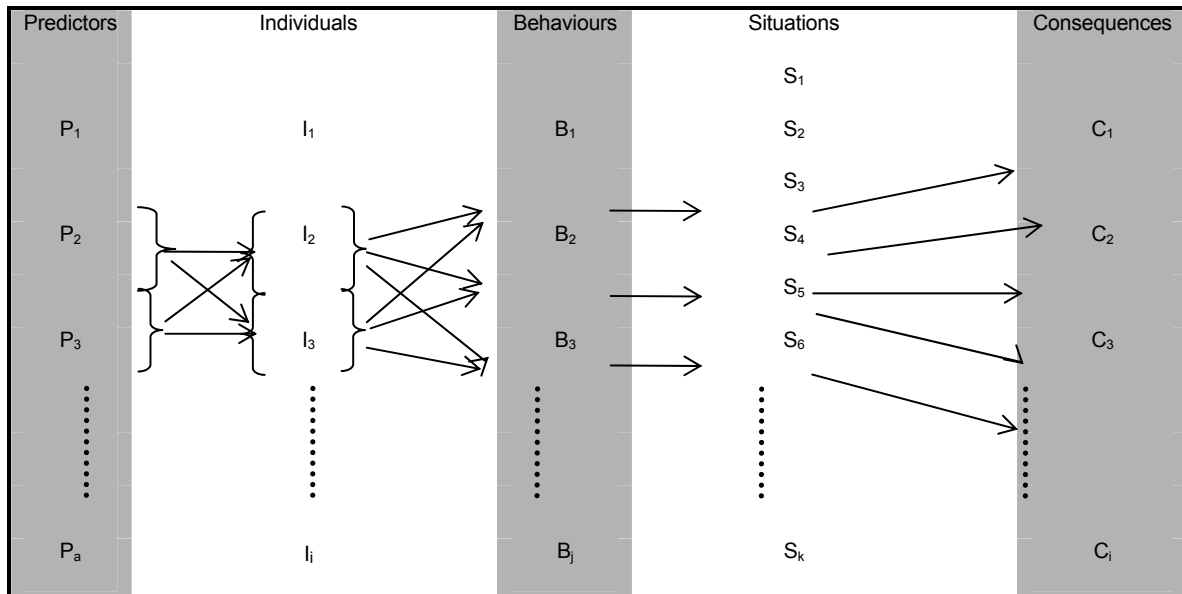
An appropriate conceptual framework will therefore have to, in a satisfactory manner, make provision for the above mentioned factors. In terms of developing a conceptual framework, the following points are considered:

- i. There is a dearth of information concerning SMMTEs in South Africa with regard to their exact number, classification and their general characteristics with no accurate and comprehensive database available, at the time of the research. The lack of information concerning SMMTEs is compounded by the fact that the tourism industry does not form a distinct economic sector, as indicated in Chapter 1, and consequently does not have a well developed statistical database. In the light of the relative newness of the SMMTEs in South Africa, the majority of these are in their initial stages of growth, and consequently most are not listed on bourses such as the Johannesburg Stock Exchange, making the access to quantifiable financial and business data for the purpose of research difficult.
- ii. The research is hampered by the difficulty of measuring the success of SMMTEs as there are varying interpretations as to what constitutes success; this has implication for the measurement of preferred strategic behaviour that will contribute toward successful SMMTEs.

It is assumed that the entrepreneur has a direct bearing on the strategic behaviour of the SMMTE and the consequences thereof could range in varying degrees from success to failure for the SMMTE. Furthermore, it is also assumed that preferred strategic behaviour of the SMMTE has a higher likelihood to translate into preferred final outcomes, which can manifest in different formats – depending on the attributes of the entrepreneurs. The extent to which SMMTE owners manifest strategic behaviour, is dependent on a multitude of variables. Some of these variables are controllable and other may be beyond the control and influence of the SMMTE owner. Controllable internal factors, according to Visser (2003: 139-140), are those that are internal to the SMMTE owner, such as strategic thinking skills. This implies that SMMTE owners can learn the techniques and obtain qualities that they need for preferred strategic behaviour to manifest in their ventures. Alternatively, it can be said that SMMTE owners can become strategic leaders who inspire and stimulate their employees. Uncontrollable factors are fundamentally external variables over which the SMMTE owner has little, if any, direct influence. The state of the economy and socio-political influences are examples of such external variables. However, it is stated by Visser (2003: 140) that the extent of the SMMTE's ability to understand the external environment can affect the influence of the external variables on the performance of the SMMTE. Although proactive behaviour by SMMTE

owners can result in a preferred advantage from external variables, it is proposed that the focus of the study should rather be on the SMMTE owners themselves and the attributes that enable them to react strategically toward external variables. In regard to the internal variables, the presence of strategic behaviour is linked to co-producers (ref. Section 1.4.1) of strategic behaviour within SMMTEs and is based on the conceptual model of business performance of De Coning (1988: 52). The interrelationship in the form of a conceptual model is depicted in Figure 4.1. It is noted that the De Coning conceptual model relates to the prediction model of Dunnette (1983: 11) that tests validation and selection research. Thus, the conceptual framework for this study will build on the theoretical model as provided by Dunnette (Figure 4.1).

The reason why the Dunette model (as depicted in Figure 4.1) was used is as follows. The prediction model, according to Dunnette (1983: 10-11), takes into account the complex interactions between predictors (for example, entrepreneurial attributes) and various predictor combinations, different groups of individuals (for example, entrepreneurs), different behaviours (for example, manifestations of strategic behaviour), and, the consequences (for example, success or failure) of this behaviour relative to the goals of the venture. The model permits the possibility of the predictors being differently useful for predicting the behaviour of different subsets of individuals. Furthermore, it shows that similar behaviours may be predictable by different patterns of interaction between the groupings of predictors and individuals or even the same level of performance on the predictors can lead to substantially different patterns of strategic behaviour for various individuals. The model also recognises the reality that the same or similar strategic behaviour can, after passing through the situational filter, lead to different organisational consequences. This model thus does not place emphasis on a single criterion that would provide an all encompassing measure of behavioural success against which the predictors can be measured. The model requires that the focus be on multiple measures of individual behaviour and organisational consequences. In the light of the above it is suggested that an approach be followed whereby the relationship between the strategic behaviour co-producers and the attributes of the SMMTE owners is determined. The strength or weakness of this relationship will indicate the degree of strategic behaviour within the SMMTE, and it is assumed, the impact of this on the final outcome, namely the success or failure of the venture.

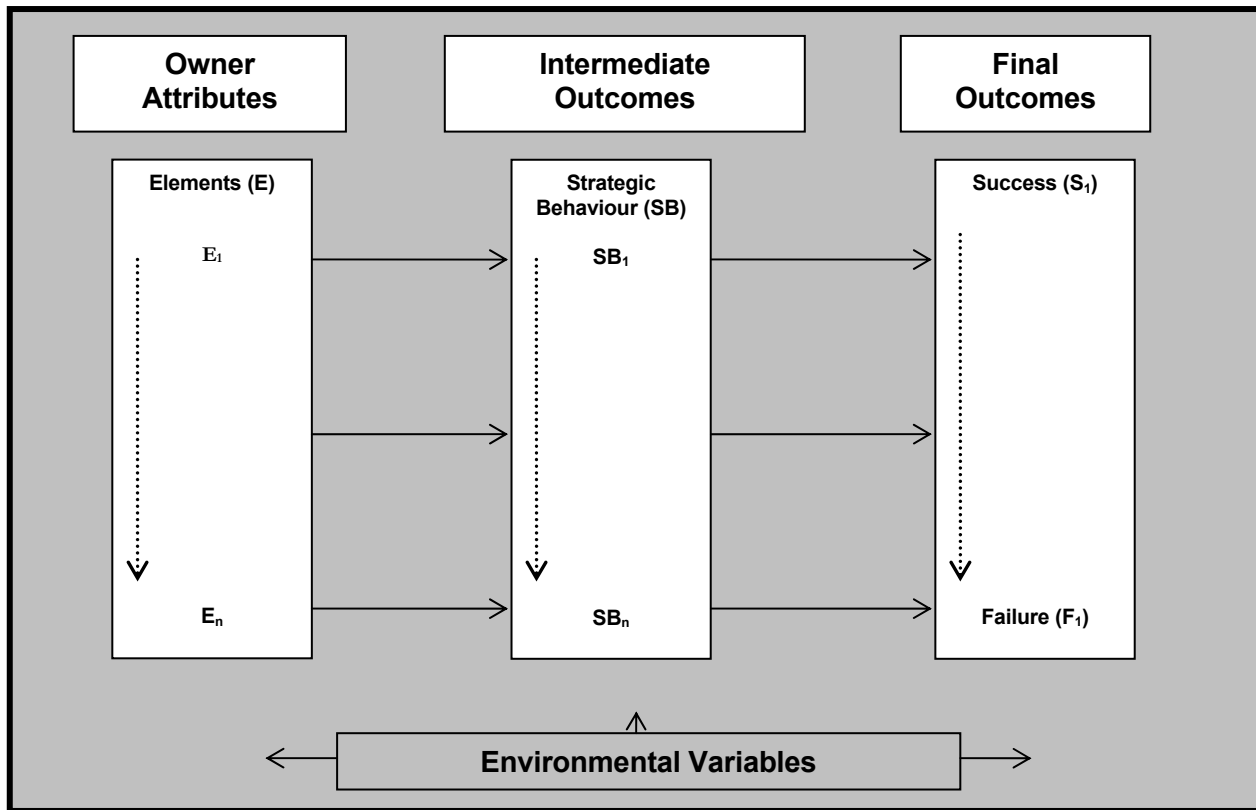


**Figure 4.1: Theoretical model for predicting behaviour**

Source: Dunnette (1983:11)

Visser (2003: 142-3) notes that the Dunnette (1983) model as well as the model derived by De Coning (1986), “are typical of systematic models, whereby multi-directional, dynamic interrelationship exists between the various elements of the models”. For instance, in the De Coning Model (Figure 4.2) certain attributes of SMMTE owners (owner attributes) will manifest preferred strategic behaviour (intermediate outcomes) which in turn will result in preferred consequences, namely success (or failure, which is not preferred) of the SMMTE venture (final outcomes) which in turn reinforces the strategic behaviour of the SMMTE. Thus, according to Visser (2003: 142-3), “this is in accordance with Senge’s view (1991) in feedback loops and reinforcement loops. For example, in the Dunette model, job behaviour after passing through the situation filter, manifests as outcomes (consequences or final outcomes), which in turn reinforces job behaviour – a clear example of systematic interaction. Similarly, in the De Coning model, transformational behaviour (Figure 4.3) manifests as final outcomes (consequences or final outcomes), which in turn reinforce strategic behaviour”.

This study proposes a conceptual a priori model as depicted in Figure 4.2.



**Figure 4.2: The a priori model for strategic behaviour of SMMTEs (Conceptual Model)**

### 4.3 THE ELEMENTS OF THE CONCEPTUAL MODEL: A DISCUSSION

The proposed conceptual model consists of integrating a minimum set of variables ( $E_1 \dots E_n$ ) characterised as the attributes of the SMMTE owners (and their businesses) and a second set of intermediate variables ( $SB_1 \dots SB_n$ ) characterised as the potential manifestations of strategic behaviour of the SMMTE owners. This relationship is depicted in Figure 4.2.

This study is primarily focussed on the SMMTE owners and the potential manifestations of strategic behaviour, and, is not focussed on the attributes of the SMMTE employees. It is emphasised that SMMTE employees are not the main focus of this study, however this approach does not deny the possible strategic behavioural contributions of such employees. The focus is rather on the nature of SMMTE structures or processes and the behaviour of SMMTE owners who act as stimuli or agents for strategic behaviour. Consequently, the study determines the extent to which linkages can be established between the unique attributes of SMMTE owners and the manifestation of strategic behaviour. For instance, a link will have to



empirically measure the individual (or set of) attributes, or characteristics, of the entrepreneurs to the characteristics that are both unique and / or typical to strategic behaviour of these SMMTE owners. The correlation of these relationships, or absence of any direct link, is based on the indicators from literature, logical conclusions and insight. The focus of the study thus is primarily on the SMMTE owner and the manifestation of strategic behaviour within the SMMTE and is not focussed on the final outcomes of an SMMTE in terms of success. It is expected that the results from applying this approach will have a better probability of predicting business success.

In the light of the aforementioned discussion, the various elements of the conceptual framework as depicted in Figure 4.2 will be discussed hereafter.

#### **4.3.1 The attributes of the SMMTE owner**

Timmons and Spinelli (2003: 249 -256), Morrison, Rimmington and Williams (1999: 43) and Visser (2003: 133-134) identify core attributes or characteristics of successful entrepreneurs. It is stated that there are “six themes” of entrepreneurial attributes as to what successful entrepreneurs “do and perform”. The six themes concerning the dominant entrepreneurial attributes are: a) commitment and determination; b) leadership; c) opportunity obsession; d) tolerance of risk, ambiguity and uncertainty; e) creativity, self-reliance and adaptability; and f) motivation to excel. The six themes are presented in more detail in Table 4.1.

**Table 4.1: Six themes of desirable and acquirable attributes of entrepreneurs**

<b>Six Themes</b>	<b>Attribute or behaviour</b>
Commitment and determination	Tenacious and decisive; commits / de-commits quickly; very competitive in achieving goals; persistent problem solving; disciplined; willing to make personal sacrifices; and immersed.
Creativity, self-reliance and adaptability	Non-conventional; open minded; lateral thinker, restless with status quo; able to adopt and change; creative problem solver; quick learner; no fear of failure; able to conceptualise (helicopter mind).
Leadership	Self-starter; sets high standard but not a perfectionist; team builder; inspirational; treats others as he would himself; shares the wealth with those who created it; honest and reliable; builds trust; practices fairness, no a loner; superior learner and teacher; patient and urgent.
Motivation to excel	Goal and results orientated; high but realistic goals; drive to achieve and grow; low need for status and power; interpersonally supporting (versus competitive); aware of strength and weaknesses; has perspective and a sense of humour.
Opportunity obsession	Has intimate knowledge of client needs and wants; market driven; obsessed with value creation and enhancement.
Risk, ambiguity and uncertainty	Calculated risk-taker; risk minimiser, risk sharer; manages paradoxes and contradictions; tolerates uncertainty and lack of structure; tolerates stress and conflict; resolves problems and integrates solutions.

Source: Timmons and Spinelli (2003: 250)

It is however not the objective of this study to empirically research the attributes of entrepreneurs as there is a number of studies (for example, De Coning, 1988: 56-58 and Maas, 1996: 67) that have already been completed in this regard. The central focus in this study is to determine the possible linkages between the attributes of entrepreneurs and the preferred strategic behaviour that is manifested in SMMTEs. **Consequently, the attributes of entrepreneurs, as empirically determined by De Coning (1988), as in Maas (1996: 68-69), are accepted for this study as they are congruent with the attributes that have been determined by other researchers in this field and because the De Coning study (1988) has a South African focus.** It can thus be concluded from the above-mentioned discussion that there is a broad agreement amongst researchers concerning the attributes of

entrepreneurs (these have though been briefly discussed in Chapter 2, Section 2.11). The De Coning (1988) findings are set out in Table 4.2. The various entrepreneurial attributes are briefly discussed hereunder:

- i. Conceptualisation or holistic approach: this is described by De Coning (1988: 58) as the management approach employed within an SMME by the owner. In some instances, certain owners find it adequate to only focus on effectiveness (internal environment), whilst in others instances, owners may focus on both efficiency and effectiveness (external and internal environments). Hereafter this attribute is referred to as the holistic approach for the purpose of this study. Also refer to Section 5.7.4.6.
- ii. Entrepreneurial growth perceptions, value systems and motivations: perceptions are noted by De Coning (1988: 57) as referring to the various reference frameworks of owners and determine their behaviour in specific situations. Three main categories of business owner perceptions are indentified. These range from perceptions of owners who try to avoid venture bankruptcy to those owners that are characterised by a growth perception. In-between these two continuum poles there are indication of a perception that simultaneously includes survivalist characteristics and bankruptcy avoidance characteristics. Value systems and motivations are considered synonymous concepts by De Coning (1988: 57). The central question that needs to be answered is: what primarily motivates SMMTE owners to operate a business? There can be one or a combination of reasons, including the improvement of the financial position of the SMMTE owner; provision for the needs of the family lifestyle, need to be independent, need to excel, to actualise growth or to innovate. Also refer to Section 5.7.4.4.
- iii. Locus of control: various empirical studies are noted by De Coning (1988: 57-58) to have found that entrepreneurs are characterised as having an internal locus of control. Also refer to Section 5.7.4.1.
- iv. Management knowledge or formal education: SMMEs are not large businesses of a small scale emphasises De Coning (1988: 58). In large businesses, the management and operational levels are normally clearly demarcated, however this is not so in SMMEs.

SMME owners are normally required to manage as well execute the operational tasks in the SMME. Thus, it is critical to determine the extent of formal management education and the various functional areas that are affected. Also refer to Section 5.7.4.2.

- v. Risk propensity: risk reflects the degree of uncertainty and potential loss associated with outcomes which may follow from a given behaviour or set of behaviours (Forlani and Mullins, 2000: 306). Basic element of risk construction is identified: potential losses and the significance of those losses. The central issue is how entrepreneurs cope with the risks inherent in their decisions, what determines the way they perceive the riskiness of their decisions, whether they possess character traits which predispose them to engage in uncertain behaviour or whether they assess opportunities and threats differently from non-entrepreneurs. Sitkin and Weingart (1995: 1574) and in contrast with previous researchers such as Derby and Keeney (1981: 217-220) do not consider risk propensity as a stable personal attribute because risk is a cumulative tendency to take or avoid risks and can be changed as a result of experience. Successful entrepreneurs, indicate Timmons and Spinelli (2003: 99) have a propensity to take calculated risks or avoid risk that they do not need to take. Also refer to Section 5.7.4.5.
- vi. Prior work experience: De Coning (1988: 58-59) indicates that two of the main reasons that SMMEs fail is due to inadequate business and management experience. The different roles that SMME owners have to fulfil also require comprehensive prior-work experience. Thus, it is critical to determine if the SMMTE owners have relevant experience related to various functional management areas of the business. Also refer to Section 5.7.4.3.

**Table 4.2: Attitudes, knowledge and skills of entrepreneurs**

Theme	Preferred attributes and skills
Conceptualisation/ holistic approach	Notices critical trends; stay in touch with the needs of customers; evaluates the behaviour of competitors.
Entrepreneurial growth perception; value system and motivation	The degree that a person is driven by a growth perception versus being driven by a perception to retain individual ownership at all costs. The person also contributes toward economic growth and development; to be successful; to be creative through the utilisation of opportunities in a unique manner.
Formal education	Has general management education.
Locus of control	Has internal locus of control.
Risk propensity	The degree to which an individual is willing to take calculated risks (versus, being on the other extreme, totally risk averse and not being prepared to make risky decisions).
Technical skills and experience	Has appropriate technical skills and experience.

Source: adapted from Maas (1996: 57-59)

The attributes, as indicated in Table 4.2, to some extent, have congruency with the attributes of the strategic behaviour of entrepreneurs (refer to Chapter 3). In Chapter 3 this study indicated that an SMMTE owner plays a central role in the venture in terms of strategic behaviour. Consequently, the SMMTE owner is an important element of the empirical investigation. SMMTE owners with a certain attribute profile (profiled in this study in terms of knowledge (K), skills (S) and attitude (A) have a direct bearing on the strategic behaviour that can potentially manifest within an SMMTE (the latter will be dealt with in Section 4.3.2) as a preferred strategic behaviour, and ultimately, will impact on the success or failure of an SMMTE.

#### **4.3.2 Strategic behaviour (IO)**

Strategic behaviour (illustrated as Intermediate Outcome in Figure 4.1), according to Johnson and Scholes (1997: 4-11) is characterised as being highly complex in nature; involves a high degree of uncertainty in the view of making decisions in a dynamic and uncertain future;

demands an integrated approach to managing the venture as owners are required to be cross-functional and have operational boundaries to deal with strategic challenges; and, strategic decisions may also involve major changes in the venture which may require decisions for planning, making the changes and the implementation thereof. Consequently, the following characteristics of strategic decisions are identified:

- i. they are likely to be concerned with or affect the long-term direction of the venture;
- ii. they are normally concerned with trying to achieve some advantage for the venture;
- iii. they are likely to be concerned with the scope of an organisation's activities, for example, should the venture concentrate in one, or more, area of business;
- iv. they are seen as the matching the activities of the venture to the environment in which the venture operates, the so-called search for the strategic fit, so that the activities of the venture are working in partnership to complement each other in such a way so as to contribute toward a competitive advantage;
- v. they are seen as building on ("stretching" or "bootstrapping") the venture resources and competences to create opportunities or capitalise on these;
- vi. they require major resource changes for the venture;
- vii. they are likely to affect the operational decisions of the venture; and
- viii. they are affected by environmental forces, resource availability, and, the values and expectations of the stakeholders who have power inside and around the venture.

Strategic planning is an important management tool, according to Hynes (2003: 2), which involves a disciplined effort to produce fundamental decisions and actions that shape and guide what a venture is, what it does, and why it does it, with a focus on the future. Hynes (2003: 3) further emphasises that: "the structure or control system of the organisation be suited to the environment that it occupies". Therefore, strategic planning is a process (i.e. a succession of ordered human activities) whereby management develops a definition of what its business

mission is, derives specific objectives from this definition and from interpreting the situation of the firm in its environment, chooses a strategy. Therefore strategic planning is a process (i.e. a succession of ordered human activities) whereby management develops a definition of what its business mission is, derives specific objectives from this definition and from interpreting the situation of the firm in its environment, chooses a strategy. The manifestation of strategic planning models, according to Visser (2003: 137-8), within SMMTEs can be presented as various types of strategy models, namely signal models, competitive advantage models, incremental models, synoptic models and future creative (holistic) models and are discussed hereafter:

- i. SMMTE owners, to some extent, may be compelled to react to stimuli from the external environment resulting in a form of forced planning, which is indicative of reactive rather than pro-active behaviour. This model type is known as the **Signal Model**.
- ii. The continuous scrutinising of the external environment in order to identify and gain advantage on the basis of which environmental variables are in operation is known as the **Competitive Advantage Model**.
- iii. The use of current strategies as a point of departure for the formulation of new strategies is known as the **Incremental Model**.
- iv. The setting of objectives to formulate and evaluate strategies is promoted and is known as the **Synoptic Model**, and in addition, addresses the problems facing an SMMTE as well as the motivating factors of achieving the final goal.
- v. The **Holistic (or Future-creative) Model** concentrates on the potential of an enterprise to change the environment, with a particular emphasis on the ability of the enterprise to adapt to a changing environment.

It is noted however by Hynes (2003: 4-9) that the emergent theories of strategy have been taken one step further as the process of strategic thinking and its benefits have become more mainstream. Longnecker and Moore (1991), as in Hynes (2003: 4), emphasise that strategic behaviour can be seen at both the individual and the organisation (or venture business) level.

Strategic thinking (or behaviour), accordingly confirms Bonn (2001: 64), manifests itself at two different levels: the individual level and the organisational level. In other words, the influence of individual attributes and actions on the organisational context, and vice versa, the influence of the business context on individual thinking and behaviour. Thus, understanding strategic thinking requires a dual-level approach that investigates the attributes of an individual strategic thinker as well as the dynamics and processes that take place within the organisational context in which the individual operates. For instance, to obtain an accurate picture of the effects of differing leadership styles on strategic thinking, one can look at their impact on individual managers and on the way they influence the wider organisational climate, culture and structure.

#### 4.3.2.1 Strategic behaviour at the individual level

Strategic thinking at the individual level comprises three main elements: a holistic understanding of the organisation and its environment; creativity; and a vision for the future of the organisation. Each of these individual level elements will be addressed hereafter:

##### *4.3.2.1.1 A holistic understanding of the organisation and its environment*

A crucial element of strategic thinking is the ability to take a holistic perspective of the business and its environment. This requires an understanding of how different problems and issues are connected with each other, how they influence each other and what effect one solution in a particular area would have on other areas. Strategic thinking is characterized by a switch from seeing the venture as a splintered conglomerate of disassociated parts (and employees) competing for resources, to seeing and dealing with the corporation as a holistic system that integrates each part in relationship to the whole. Taking a holistic approach requires the ability to distance oneself from day-to-day operational problems and to see how problems and issues are connected to the overall pattern that underlies particular details and events. Alternatively, this is also known as the “systems thinking” approach. Finally, a holistic view requires recognition that ventures are components within large and complex systems, such as markets, industries and nations. Strategic thinkers need to understand how ventures are embedded within this wider context and how they are influenced by the dynamics, interconnection and interdependency of these systems (Bonn, 2001: 64-5).



#### 4.3.2.1.2 *Creativity*

Strategy is about ideas and the development of innovative solutions to create competitive advantage. Strategic thinkers must search for new approaches and envision better ways of doing things. A prerequisite for this is creativity; in particular the ability to question prevalent concepts and perceptions and to recombine or make connections between issues that may seem unconnected. Creative thinking also refers to how people approach problems and solutions – their capacity to put existing ideas together in new combinations. This involves challenging the “tyranny of the given” by questioning prevailing beliefs or mental models in the venture. Senge (1990), as in Bonn (2001: 65), describes mental models as “deeply ingrained assumptions, generalizations, or even pictures or images that influence how we understand the world and how we take action” with such models often being tacit and beneath our level of awareness, yet they have a strong influence on organisational behaviour. The larger the venture, the more likely it is that the components of creative acts are already present somewhere in it, but the less likely it is that they will be brought together without some help. Finally, states Bonn (2001: 65), “there is the need for translating the new idea into practice”. The owners and management of the venture need to provide or source the resources that are needed to implement the idea.

#### 4.3.2.1.3 *A vision for the future*

Strategic thinking should be driven by a strong sense of organisational purpose and a vision of the desired future for the organisation (Bonn, 2001: 65-6). That is, a genuine vision – as opposed to the popular “vision-statements” – that truly conveys a sense of direction and provides the focus for all activities within the vision. Visions represent what the venture truly wants, based on fundamental intrinsic values and a sense of purpose that matters deeply to the people in that business. These beliefs “must always come before policies, practices, and goals. Developing a genuine vision and building it into the very fabric of the venture must be a central element of the daily work of strategic thinkers. A vision that is shared throughout the venture fosters commitment rather than compliance and creates a sense of commonality that permeates the whole venture. It inspires people’s imagination and provides a focus that

allows individuals to contribute in ways that make the most of their expertise and talents; it helps to achieve superior performance in the long term.

#### 4.3.2.2 Strategic behaviour at the organisational level

Strategic behaviour at the organisational level, states Hynes (2003: 5), provides the context in which strategic thinking can occur. Organisations need to create structures, processes and systems that can foster ongoing strategic dialogue among the top team and staff, and take advantage of the ingenuity and creativity of employees. Stumpf (1989), as in Hynes (2003: 5), indicates that strategic thinking is about the ability to truly know the business and markets, manage sub-unit rivalry, find and overcome threats, stay on strategy, be an entrepreneurial force, and accommodate diversity. Hynes (2003: 5) further maintains that: “The art of the strategic thinker is to be able to generate creative ideas on how to develop the business and to be able to excite other thinkers so that these ideas can be turned into competitive advantage for the firm”. It is further suggested that “the main constituents of strategic thinking centre around: ‘organisational learning, deeply held values and beliefs and formal business learning...’ and further stated that: “...the strategic thinker uses a set of mental models about how to grow the business and promote superior performance... these models are underpinned with deeply held values and beliefs...”. Mintzberg (1994), as in Bonn (2001: 63-4) proposes a “clear distinction between strategic thinking and strategic planning ...” and further states that “strategic planning is not strategic thinking” and argues that each term focuses on a different stage in the strategy development process. Strategic planning is considered to focus on analysis and deals with the articulation, elaboration and formalisation of existing strategies. Strategic thinking, on the other hand, emphasises synthesis, using intuition and creativity to create “an integrated perspective of the enterprise”. It is further maintained that strategic planning is a process that should occur after strategic thinking. The organisational level provides the context in which individual strategic thinking can occur. Organisations need to create the structures, processes and systems that foster ongoing strategic dialogue among the top team; and take advantage of the ingenuity and creativity of every individual employee. Each of these organisational level elements will be addressed hereafter:

#### 4.3.2.2.1 *Strategic dialogue*

Eliminating the widespread “we just don’t have the time” syndrome is an important prerequisite for strategic thinking. Ventures need to create the time and space for the owner-management team to engage in dialogue about strategic issues, insights and ideas on a regular basis. Strategic thinking requires owner management teams to learn how to explore complex and conflicting issues together. Collective strategic dialogue – if it is done in a constructive way – takes advantage of the synergistic potential of several minds to be more insightful than a single mind. It goes beyond an individual’s understanding and enables team members to gain a richer grasp of the organisational complexity, leading to new clarity and insight that could not be achieved individually (Bonn, 2001: 66-8).

#### 4.3.2.2.2 *Taking advantage of the ingenuity and creativity of employees*

In addition to fostering strategic dialogue among the members of the owner-management team, ventures must create an environment in which all employees are encouraged to participate in the development of innovative ideas and strategies. Research by Bonn (2001: 68-9) has found that visionary businesses have a strong organisational orientation. Owner-managers in visionary businesses placed great emphasis on designing organisational structures, processes and mechanisms that stimulated improvements and change. They built their “own unique drive for progress into the very fabric of the business – into goals, strategies, tactics, policies, processes, cultural practices, management behaviours, building layouts, pay systems, accounting systems, job design – into everything that the company does”. In other words, owner-managers in visionary companies designed the context within which employees could contribute to the overall vision of the business and they created a culture that was conducive to creativity and innovation. The challenge for owner-managers is thus to design and establish a work environment where everyone is encouraged to explore new ideas and to come up with improvements and innovations. Owner-managers, who instil a belief in the importance of creativity throughout the business, ensure that creativity becomes part of the business’s personality, the cornerstone of how it operates.

The importance of intrinsic motivation is also emphasised by Bonn (2001: 68-9) who suggests that an employee's creativity strongly depends on "the desire to work on something for its own sake". They recommend that ventures take special care "to nurture the intrinsic motivation that gives employees the desire to be creative". Establishing a business culture that values the ingenuity and creativity of its people will result in employees taking more initiative and having a greater sense of responsibility in their work. They will be more satisfied in their jobs and develop a greater commitment to the business, and ultimately, be more effective and productive.

Strategic decisions at organisational level, according to Rajagopalan, Rasheed and Datta (1993: 277-8), are made in the context of two sets of factors: a business's environment in terms of its complexity and volatility; and business conditions such as the internal power structure, past performance, past strategy; and, the extent of organisational slack resources that include, for example, excess inputs such as redundant employees, unused capacity, and unnecessary capital expenditures that are used to protect the core of the SMMTE from rapid changes in its external environment, thereby reducing the need to make substantial changes to the operating core of the SMMTE.

Blending strategic thinking and planning together, states Hynes (2003: 18), is a learned practice. The whole purpose of strategy is to create business advantage, to maximise resources, decisions and core competencies. Strategic planning is a process of formalising, when necessary, the consequences of strategies already developed. One point must be emphasised, planning cannot generate strategies, but given viable strategies, it can programme them to make them operational. Owner/managers don't always need to programme their strategies formally. Sometimes they must leave their strategies flexible, as broad visions, to adapt to a changing environment. Strategic thinking is a means where new perspectives and new combinations, new basis for competition can emerge. Strategic planning is a support mechanism for strategic thinking, enabling processes and procedure to ensure that it is carried out. Strategic thinking seems to emphasise the formulation of strategy within the organisation and strategically planning the implementation of these strategies. In a small firm scenario, the synergistic effect of both elements operating together is what is required, and quite often strategies for the small firm require implementation and action at the same time. It is possible, if

not essential, that the small firm can cultivate flexibility whilst also maintaining a degree of control. The key is for the firm to be committed to a purpose while maintaining flexibility.

Strategic behaviour at individual and organisational level is depicted in Table 4.3. Strategic behaviour can thus be described as utilising the venture's threats and opportunities to enhance its long-term prospects. A strategic decision is thus defined as a set of critical actions and dynamic factors, at individual and organisational level, beginning with the identification of the stimuli and ending with the specific commitment for action. Strategic behaviour is described as unstructured, irregular and incomprehensive with SMME strategising considered as incremental, sporadic and reactive, overall.

**Table 4.3: Characteristics of strategic behaviour**

<b>Individual level:</b>	Holistic understanding of the SMMTE and its environment ( issue identification, alternative generation, evaluation and selection).
	Creativity.
	Vision of the SMMTEs future
<b>Organisational level:</b>	Foster on-going strategic dialogue among the internal and external stakeholders (power structure, past performance and strategies, the complexity and volatility of the SMMTE).
	Exploit the ingenuity and creativity of employees (venture size; past strategies; performance; structure; top management team attributes; beliefs; and, the use of organisational slack.).

Source: Rajagopalan, Rasheed and Datta (1993: 277-280), Hynes (2003: 4-5) and Bonn (2001: 64)

The study assumes that the preferred manifestations of strategic behaviour are the end-product of a dynamic interaction between various elements that involve the SMMTE owners' attributes and the strategic business processes that are utilised. Consequently, an investigation of the relationship between certain SMMTE owner attributes and strategic behaviour will be the basis of this study. It is assumed that some of the preferred strategic behaviour manifestations have a higher likelihood to also translate into preferred final outcomes.

### **4.3.3 Final outcomes (FO)**

There are varying interpretations as to what constitutes success (classified as a Final Outcome in the conceptual model, Figure 4.2). There are no generally accepted lists of variables that distinguish business success from failure, according to Lussier and Corman (1995: 1), with prior research having created discrepancies within the literature by citing different variables as contributing to success or failure. For instance, in family ventures; success could be concerned with retaining ownership within the family, maintaining a certain lifestyle, or even growing the business (Timmons & Spinelli, 2003: 54). Timmons and Spinelli (2003: 56-63) also refer to the issue of being able to identify a good opportunity, being creative and prudent with the ventures resources, putting together the right entrepreneurial team, the importance of timing and making sure that these variables fit and balance together in such a way so as to contribute toward the success of the venture. Furthermore, success is deemed difficult to quantify as there are too many environmental variables that impact the successful business operation of the SMMTE. Research undertaken by Stuart and Abetti (1987: 223-225) to predict success, concluded that the measures of success were overall weakly or negatively correlated and the findings were inconclusive. Consequently, due to the conceptual ambiguity of measuring success, this study will rather focus on the relationship between the attributes of the SMMTE owners that produce strategic behaviour and the manifestation of strategic behaviour within SMMTEs (Intermediate outcomes). It will thus assume that if the preferred strategic behaviour is applied, it can result in a successful final outcome for the SMMTEs, after all, underscores Timmons and Spinelli (2003: 57) it is the lead entrepreneur that must be seen to be “taking charge of the success equation”.

### **4.3.4 Environmental variables**

This study is primarily focussed on investigating the nature of possible relationships between profile elements of the SMMTE owner and intermediate outcomes in the form of the SMMTE preferred strategic behaviour that an SMMTE will have. SMMTEs, according to Bennett (2000: 42), cannot be divorced from the fact that the external environment impacts on the host population, the tourists and the businesses that are in the tourism system. The importance of the environmental factors has been indicated in Chapter 2 (ref. Section 2.8). It can be concluded that the competitive tourism environment, a fickle tourism customer base, complex

supplier environments, ever changing tourism market conditions, fast changing technological developments in tourism, changing political and legal environments, crime, socio-cultural change within the market and host population; and, the seasonality of tourism (Bennett, 2000: 146) all are environmental variables that can impact on SMMTEs. It could be assumed, however, that within a homogenous geographical area, such as South Africa, that such influence would be generally the same for all SMMTEs. It is however further noted by De Coning (1988: 52) that the extent to which external variables impact on an SMMTE is to some extent influenced by the ability of entrepreneurs to understand the external environment. Since proactive behaviour by entrepreneurs, argue De Coning (1986: 52) and Visser (2003: 140), ensures SMMTEs accrue advantage from such external factors it is not advisable to concentrate on such external factors, as such, but rather on the entrepreneurs themselves and the attributes that enable such entrepreneurs to react positively towards external environments.

#### **4.4 THE RESEARCH HYPOTHESES**

A research hypothesis consists either of a suggested explanation for an observable phenomenon, or, of a reasoned proposal predicting a possible causal correlation among multiple phenomena. A research hypothesis is defined, according to Sangor (2004: 36), as “a specific and falsifiable prediction regarding the relationship between or among two or more variables”. The research hypothesis describes the relationship between the variables of interest; and, involves the relationship between an independent variable and a dependent variable (the variable that is affected or caused by the independent variable). Correlational research uses both the independent variable and the dependent variable to search and describe relationships between these variables (Sangor, 2004: 156). Furthermore, because it is not always possible to state the causal relationships between variables in correlational research, the terms *independent* variable and *dependent* variable are sometimes replaced with the terms *predictor* variable and *outcome* variable, respectively (Sangor, 2004: 36). There are two types of hypotheses continues Vermeulen (1998: 33): directional and non-directional. Directional hypothesis are those where the direction (effect of one variable on the other) can be predicted. Non-directional hypotheses are those that state a relationship between variables but

do not define the kind of difference or predict the kind of effect. Lehaney and Clark (1995), as in Goosen (2002: 100), propose a number of criteria whereby hypotheses should be formulated:

- i. They should be clearly and unambiguously stated.
- ii. They should not be vague.
- iii. They should have operational definitions and definitions of technical terms.
- iv. The hypotheses should be limited in scope so that they are testable.
- v. They should be based on literature and be consistent with known facts about the research.

#### **4.4.1 The main research hypothesis**

The literature indicates that small business strategic behaviour is described as unstructured, irregular, and incomprehensive, characterising SMMTE strategising as incremental, sporadic and reactive, overall. The extent to which SMTE owners manifest strategic behaviour, is dependent on a multitude of variables. Some of these variables are controllable and others may be beyond the control and influence of the SMMTE owner.

A conceptual (or, *a priori*) model and its sub-components has been presented that focuses on basically two elements: the attributes of the SMMTE owner and the preferred strategic behaviour that is manifested within the SMMTE. The study focuses on the relationship between the attributes of the SMMTE owners that produce preferred strategic behaviour and the manifestation of preferred strategic behaviour within SMMTEs (Intermediate outcomes). The study presumes that should preferred strategic behaviour be applied, this can result in preferred final outcomes for the SMMTEs. The setting of the hypotheses in this study are implicitly stated through the *a priori* model, as depicted in Figure 4.2, and, the main (or null) hypothesis can be stated as:

**Null Hypothesis ( $H_0$ )** = There is no association between the attributes of the owners of the SMMTEs (that are characterised by locus of control, reasons for starting a business, holistic



capabilities, propensity to risk, formal management education and prior-experience) and preferred strategic behaviour.

In the case where the main hypothesis is not supported by the research findings, the alternative hypothesis, stated hereafter, is proposed.

#### **4.4.2 Alternative hypothesis**

**Alternative Hypothesis (H<sub>1</sub>)** = There is an association between the attributes of the owners of the SMMTEs (that are characterised by locus of control, reasons for starting a business, holistic capabilities, propensity to risk, formal management education and prior-experience) and preferred strategic behaviour.

### **4.5 SUMMARY**

The conceptual model, as depicted in Figure 4.2, was presented and the theoretical framework was discussed as the basis for the empirical study that will follow.

A discussion concerning entrepreneurial characteristics or attributes and what successful entrepreneurs “do and perform”; which is depicted in Table 4.2, was executed.

It was further emphasised that strategic behaviour can be seen at both the individual and the organisation (or venture business) level. Thus, understanding strategic thinking requires a dual-level approach that investigates the attributes of an individual strategic thinker as well as the dynamics and processes that take place within the organisational context in which the individual operates. Strategic behaviour at individual and organisational level was depicted in Table 4.3. Strategic behaviour can thus be described as utilising the venture’s threats and opportunities to enhance its long-term prospects.

The chapter focused on the relationship between the attributes of the SMMTE owners that co-produce preferred strategic behaviour and the manifestation of preferred strategic behaviour within SMMTEs. The hypotheses in this study, which are implicitly stated through the *a priori* model (as depicted in Figure 4.2), were also stated.

This chapter established the theoretical foundation for the development of a suitable data-gathering instrument which will be discussed in the next chapter. The measuring instrument will be developed to investigate the relationship between SMMTE owner attributes and strategic behaviour.

## **CHAPTER 5**

### **THE DEVELOPMENT OF AN INSTRUMENT TO MEASURE STRATEGIC BEHAVIOUR**

#### **5.1 INTRODUCTION**

In order to apply the conceptual model, which was discussed in Chapter 4, a suitable data gathering instrument needs to be developed. Data collection methods, according to De Vos (1998: 82), are divided into those that belong to quantitative and qualitative categories. De Vos (1998: 89-90) makes particular reference to various quantitative data gathering methods that can be used: questionnaires (mailed or posted, telephonic and group), checklists (consisting of a series of statements), indices and scales (various nominal, ordinal, itemised and Likert scales). For the purpose of this study, and due to the design of the conceptual model, the focus in this chapter will be on identifying a suitable data gathering method. This chapter will also describe the development of a questionnaire to measure strategic behaviour amongst SMMTEs in terms of the two dimensions identified in Chapter 4. It describes the creation and testing of a preliminary questionnaire and the selection of items for the final questionnaire in order to ensure the reliability and validity of the research instrument.

#### **5.2 ASPECTS OF MEASUREMENT THAT ARE FUNDAMENTAL TO QUANTITATIVE MEASURING INSTRUMENTS**

Relevant to any data collection, notes De Vos (1998: 82-83), are at least the following fundamental measurement axioms:

- i. Axiom 1: If data gathering instruments are to have any utility they must have two fundamental characteristics: they must be valid and they must be reliable.
- ii. Axiom 2: In order for data gathering instruments to have maximum utility, they must be brief, easy to administer, easy to understand, easy to score and easy to interpret.

- iii. Axiom 3: There are two ways to determine if the respondents have problems: one can watch them or ask them. The researcher can on the basis of direct observation decide which the appropriate method of interception is. Self-report data gathering instruments however have a number of weaknesses, but, if they are developed competently and used professionally, they are very useful and powerful devices for measuring research problems.

### **5.3 VARIOUS TYPES OF QUANTITATIVE DATA COLLECTION INSTRUMENTS: QUESTIONNAIRES**

Questionnaires are instruments, according to De Vos (1998: 89), which consist of open- and/or closed-ended questions to which a respondent must react. There are different forms of questionnaires such as mailed or posted questionnaires, telephonic questionnaires or group questionnaires. Sometimes interview schedules are classified as questionnaires as well.

- i. Personal interviews with questionnaires: The advantage of this method, indicates Maas (1996: 88), is that this method is usually less hurried, the sequence of the questions is strictly controlled and audio visual aids may be used. The greatest disadvantage however is cost because this is a labour intensive process (Hall & Hall, 1996: 102). Respondents may also not always be available and this may push up the cost. Other advantages of this method are that longer questionnaires can be used and that the selection of participants can be more precise. Conversely, respondents may usually become less willing to share information if they are dealing with strangers, the interviewers' behaviour may be unacceptable, and the control over the fieldworkers may be difficult to manage.
- ii. Personal questionnaires: Here the respondents complete the questionnaires on their own; however, the researcher is available in instances where problems are experienced. The researcher or fieldworkers limit their own involvement in the completion of the questionnaire by the respondents to an absolute minimum. The researcher or fieldworkers remain mostly in the background and can, at most, encourage the respondent to complete the questionnaire (De Vos, 2001: 155).

- iii. Questionnaires delivered by hand: There are cases where the researcher or fieldworkers hand deliver questionnaires in order that respondents can complete these in their own time. The fieldworkers then collect them again later. Usually an appointment is made for collecting the questionnaires and this should preferably not be more than 48 hours after delivery. Response rates are usually raised because of the personal contact on the one hand and the fact that fieldworkers merely distribute the questionnaire and do not bother the respondents at an inconvenient time. Respondents can usually seek clarity concerning items in the questionnaire on their return. The disadvantage of this type of instrument is that only smaller geographic areas can be covered per occasion because field workers have to return to collect the completed questionnaires. Sometimes, the questionnaire can be found to have been lost or not completed by the respondent and a second questionnaire then has to be distributed. This increases the cost of the research. Issues of literacy, visual competence and writing competence are also relevant in regard to this instrument (De Vos, 2001: 155).
- iv. Group-administered questionnaires: A group of respondents, in this case, are required to complete questionnaires individually. Preferably each respondent receives the same stimulus and completes his/her questionnaire without discussion with the other members of the group. Sometimes, the researcher or fieldworker conducts a discussion with the whole group and then after this completes the questionnaire according to the indications of the group or allows one of the group members to complete if on behalf of the group. The group interview is in essence a combination of the personal interview and the mailed questionnaire. The advantage of this method is that much time and cost are saved in that a group of respondents are handled simultaneously and consequently are also exposed simultaneously to the same stimulus. The disadvantage of this method is to find a suitable venue and time slot that will suit all the respondents. Furthermore, even though each respondent may complete the questionnaire individually, some degree of mutual influence can occur amongst the respondents (De Vos, 2001: 156 and Hall & Hall, 1996: 100).
- v. Telephonic interview questionnaires: General opinion, according to Maas (1996: 89), is that telephonic interviews are faster and cheaper than most other methods. The disadvantage of this method is that interpersonal judgement scales, lists of factors and

examples can not be used with this method. Advantages of this method are the minimisation of cost associated with travel and improved control over the interviewers. Mail surveys are deemed to be the only cheaper method.

The communication is handicapped though in that no non-verbal communication is possible (De Vos, 2001: 154). The telephonic completion of the questionnaire has further advantages: the fieldworkers get an opportunity to explain, literacy is not a requirement and the response rate is high because respondents do not refuse to participate easily. A major limitation, however, is the cost of high long distance telephone calls and for most research this limits the lengths of the interviews. Furthermore, not all respondents may have a telephone and this may result in a bias toward respondents that own telephones being reached only. In some instances, telephone interviews should be used mainly for exploratory rather than in-depth interviews. Complex, contentious, and sensitive issues may not always be easily covered in telephonic interviews. Many respondents may be sceptical and unmotivated regarding the purpose of the investigation. If the questionnaire is too long or too contentious the respondent may end the interview by simply terminating the telephone call.

- vi. Mail surveys: This data gathering method is less costly than telephonic and personal interviews and is the most frequently used survey method. When a good address list is available, this method is particularly suitable. Additional advantages, states Maas (1996: 89-90,) are that confidential information can be obtained and that a respondent can respond to the questionnaire when it is convenient. A disadvantage is the increased cost associated with low response rates of such mail surveys (Hall et al., 1996: 100). De Vos (2001: 153) indicates that a response rate of 50 percent is considered adequate, 60 percent as good and 70 percent as excellent. Further advantages are that the geographical area covered by the researcher does not increase the cost. Information can be obtained from a large number of respondents within a brief period of time. The disadvantage of this method is that complex questions cannot be explained and that there is no control over the order that the questions are answered. It is easier not to answer a questionnaire than to say no to an interviewer. Further disadvantages, notes Loubser (1999: 96), are that the non-response rate may be very high especially with regard to a

long questionnaire and unclear open questions. Complex questionnaires requiring in-depth thought usually show a low response rate. Missing data, because of incomplete questionnaires, may occur more often with mailed questionnaires; however, this is difficult to control. There is also no control that the right persons in the business will actually complete the questionnaire. The application of this type of this data-gathering method is biased toward literate people and largely excludes illiterate people from such investigations.

- vii. Checklists: Checklists are a type of questionnaire consisting of a series of statements whereby a respondent is requested to indicate which items are relevant by ticking “yes” or “no” for each item (De Vos, 2001: 89).

#### **5.4 THE QUESTIONNAIRE AS A DATA GATHERING INSTRUMENT**

Due to the nature of the *a priori* model (ref. Figure 5.1 and Table 5.2), it was anticipated that a large amount of data would be required to describe the constructs of the *a priori* model, as well as analyse the relationship between entrepreneurial owner attributes and strategic behaviour (ref. Table 5.2). It was deemed appropriate that mailed or postal questionnaires would be an appropriate data collection method for this study. The advantages of this decision are listed hereunder:

- i. Contemporary tourism is often a mass phenomenon requiring major involvement from governmental, community, non-profit and commercial organisations which rely mostly on quantified information for critical aspects of their decision-making. Questionnaire surveys are considered an ideal means of providing some of this information (Veal, 2006: 232).
- ii. Questionnaire surveys are useful in describing the characteristics of a large population included in a study (Maas, 1996: 91) and can be administered from remote locations.
- iii. In reference to the scope of the study, the cost of the questionnaire surveys is deemed to be cheaper than most other data gathering methods (Maas, 1996: 91), in particular, self-administered surveys.

- iv. Whilst absolute objectivity is an impossible ideal, questionnaire survey methods do provide a transparent set of research procedures as to how the information was collected and how it is interpreted. Often, data from questionnaire surveys can be re-analysed by other researchers should they wish to extend the research or provide an alternative interpretation (Veal, 2006: 233).
- v. SMMTE owners, it is assumed, usually, do not have available time during the day to attend to interviewers usually due to the demands of operating their businesses. The questionnaires can thus be completed during times which are more convenient for SMMTE owners (Maas, 1996: 91).
- vi. Due to the mainly small size of SMMTEs, as well as the primary role that SMMTE owners play within such enterprises, it is assumed that SMMTE owners will most likely want to complete the questionnaire themselves and not delegate this to other role-players within the SMMTEs (Maas, 1996: 91).
- vii. While qualitative methods are ideal for exploring attitudes, meanings and perceptions on an individual basis, questionnaire survey methods provide the means to gather and record simple information on the incidence of attitudes, meanings and perceptions among the population as a whole (Veal, 2006: 233).

## **5.5 THE DESIGN OF THE QUESTIONNAIRE**

The design of the data gathering instrument, according to Maas (1996: 91), determines the reliability and validity of a study. Consequently, a questionnaire needs to be compiled with great care, and must be pilot tested. Critical factors that may influence the afore-mentioned issues are discussed hereafter:

### **5.5.1 Cover letter**

Maas (1996: 92) indicates that respondents frequently hesitate, and may even be frightened to complete a questionnaire. For this reason, it is necessary that the study and its objectives are briefly explained. A cover letter is thus compiled that mentions the study, the researcher's name



and the importance of the study. The cover letter is addressed to the SMMTE owner as the respondent of the study. The objectives of the questionnaire, as well as further information are provided on the cover page of the questionnaire. The due date for the completion of the questionnaire must be indicated clearly. About three weeks are allowed for the completion and return of the questionnaire, which is deemed to be a reasonable period. This then also puts the respondents, to some degree, under some pressure to commit.

### **5.5.2 Administration**

It is seen as necessary that each questionnaire needs to be numbered, notes Maas (1996: 93), even though this is not processed by the computer. This ensures improved control. The number of the questionnaire is usually written in the top right hand corner of the questionnaire. The reason for this being that the questionnaires are mass-reproduced and it is not possible to number each questionnaire before distributing them. The number is controlled with the numbers that have been allocated to the address lists that have been allocated by the researcher. The address list, in the case of this study, is in nine parts, one for each province, and for that reason have an A, B, C, D, E, F, G, H, or I that appear before the allocated numbers. This improves the control over the questionnaires substantially. The questions in the questionnaire are also clearly numbered so as to not confuse the respondents and to assist with the data processing. Furthermore, attention is required to the language that the questionnaire will be written in. Although there are eleven official languages in South Africa, English is widely accepted as the language of doing business by most in South Africa and for this reason the questionnaire will be constructed in English only. Few problems in this regard are expected. The manner in which the questionnaires are to be bound, according to Maas (1996: 93), needs to be considered as this has implications for the way it is completed by the respondents and the processing thereof by the researcher. It has been decided to bind the questionnaires through paper stapling to create questionnaire booklets. There are various opinions, state Maas (1996: 93) and Loubser (1999: 96), concerning the influence that the length, size and paper colour of the questionnaire have on the response rate. It is proposed that the use of white paper and creating the impression that the questionnaire is concise has a positive influence on the response rate. The

afore-mentioned aspects will be tested during the pilot-testing phase to determine, for instance, the ideal amount of time that it takes to complete the questionnaire.

### **5.5.3 Question formulation and grouping**

It is deemed necessary to ask direct and clear questions, which are unambiguous when constructing questionnaires. Sentences should be brief and clear note De Vos (2001: 157) and the vocabulary and style of the questions should be understandable to the respondents. Furthermore, each question should focus on one aspect at the time in order to obtain the required information. Maas (1996: 94) further suggests that the language used, should be that which is commonly used. This aspect, in particular, should be assessed during the pilot-testing phase. The questions should be logically ordered, with the easier questions in the beginning followed by the more difficult ones later on. In such a way, the respondents will not be scared away in the early stages of completing the questionnaire.

### **5.5.4 Measurement scales**

Various rules are used to assign numbers in measurement and the four typical scales that could be used are:

- Nominal scales are according to De Vos (2001: 167) basically concerned with creating mutually exclusive and exhaustive groups that deal with classification data, for example, male or female. Such scales consist only of one variable or dimension and are tantamount to coding close-ended questions (forced choice). Nominal measurement is concerned with determining the presence or absence of a characteristic (Vermeulen, 1998: 58). There is no ordering, for example it makes no sense to state that “male is greater than female”; and utilises arbitrary labels, such as, “male or female”, “0/1”.
- Ordinal scales are used, note De Vos (2001: 168-171), where the responses are ranked according to some criteria, for example importance, urgency, seriousness; differences between values are not important. There are various types of ordinal scales: summated scales, graphic rating, numerical scales, itemised rating scales, comparative rating scales and, self anchored rating sales. Ordinal measurement identifies the relative intensity of a

characteristic but according to Vermeulen (1998: 58) does not reflect any level of absolute intensity. For example: political parties on a left to right spectrum are given labels “0, 1, 2”; Likert scales are used to rank on a scale of “1 to 5” the degree of satisfaction; and, restaurant ratings.

- Interval-ratio scales refer to measurement that can be arranged in an ordered and constant scale but where there is no absolute (or natural) zero point, for example temperature (Celsius, Fahrenheit) and dates. The two types of parameters required for interval measurement, notes Vermeulen (1998: 58), are two fixed points on the scale (such as the freezing and boiling points of water), there must be one fixed point, and the size of the unit, such as the standard z-score (standard deviation) should be known. The zero point on an interval scale is a matter of convention since the scale does not change when the constant is added.
- Ratio scales refer to where there is a continuum that includes an ordered and constant scale; and absolute (or natural) zero point to represent the absence of a quality. Mass, length, time, plane angle, energy and electric charge are examples of physical measures that are ratio scales and characterised by equal intervals (Vermeulen, 1998: 59).

Table 5.1 depicts the statistical calculations that can be applied to the above-mentioned scales:

**Table 5.1: Typical measurement scales**

SCALING LEVEL	EMPIRICAL USE	POSSIBLE STATISTICAL CALCULATIONS
Nominal (also denoted as categorical or discrete)	Differences	Mode, Chi square
Ordinal	Rank	Median, percentile
Interval	Determine equality of intervals or differences Arbitrary amounts	Mean, standard deviation, correlation, regression, analysis of variance
Ratio	Determine equality of relations and absolute amounts	All statistics permitted for interval scales; including the following: geometric mean, harmonic mean, coefficient of variation, logarithms

Source: Adapted from Vermeulen (1998: 59), Wikipedia (2009: internet) and Maas (1996:96)

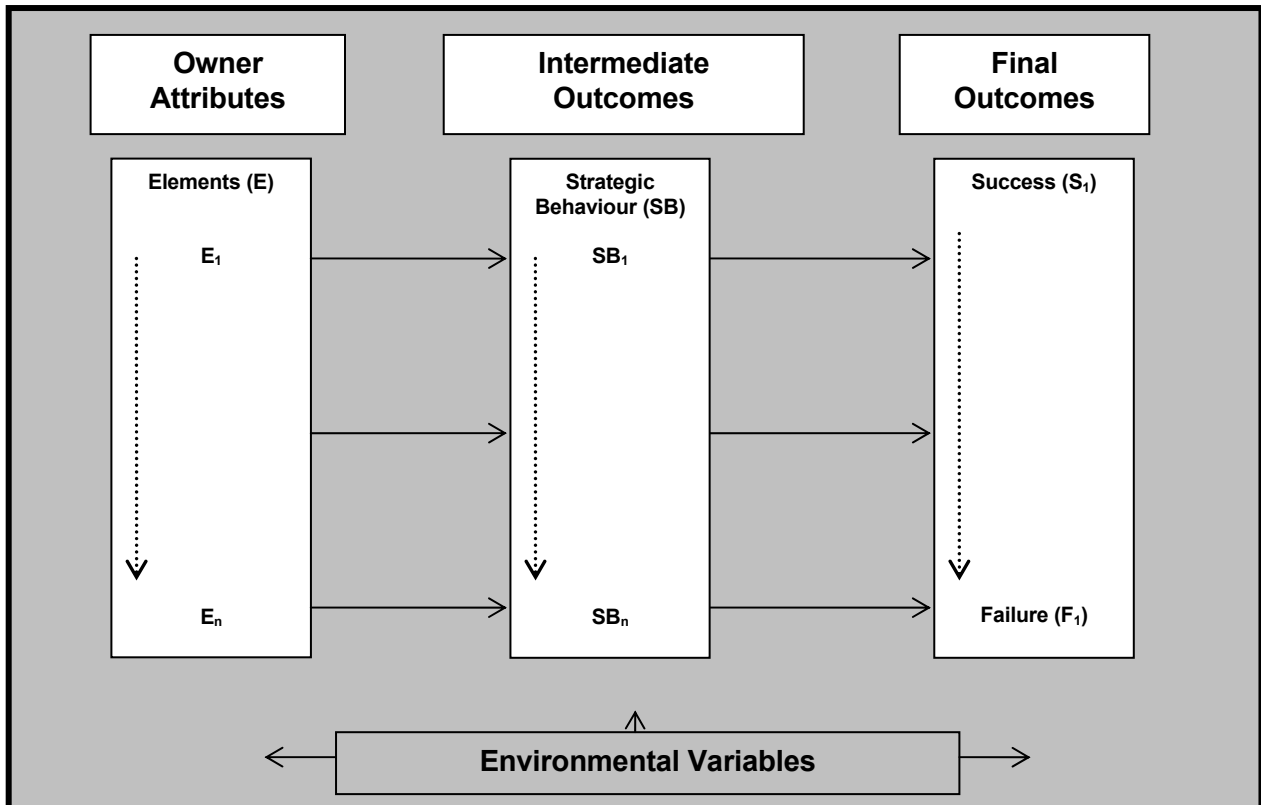
It is noted by Bless and Higson-Smith (2000: 99), that when using a nominal or ordinal scale, research data are classified by placing it in different categories.

The data in this study is considered to be mostly of a qualitative nature and thus not in equal intervals or measurable against an absolute (or natural) zero point. This further suggests that this study excludes interval and ratio scaling.

## **5.6 THE DIMENSIONS OF STRATEGIC BEHAVIOUR**

The literature study, in Chapter 4, describes an integrative strategic decision process framework and allows the derivation that the core elements of strategic behaviour are internal and external, as diagrammatically represented in Figure 4.2 (and reproduced in Figure 5.1 hereunder), and should include market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related challenges. These sets of factors vary from venture to venture and even within different ventures and within some ventures the process can vary across decisions, this makes an investigation in the strategic behaviour a very complex issue. Consequently, environmental and venture factors as well as

decision-specific factors determine a wide range of decision process characteristics such as the duration of the process, the amount of political activity, the degree of comprehensiveness and rationality. In turn the decision process transforms itself into certain process outcomes, namely the timeliness or speed of the decision, the level of commitment from the venture, and the extent of learning the venture owner displays.



**Figure 5.1: The *a priori* model for strategic behaviour of SMMTEs (Conceptual Model) (ref. Figure 4.2)**

The two dimensions (or concepts) underlying the conceptual framework constructs have been discussed in Sections 4.3.1 and 4.3.2 of Chapter 4 and are summarised in Table 5.2. It can be summarised that the entrepreneurial attribute dimension has five sub-dimensions and the strategic behaviour dimension has two sub-dimensions (ref. Figure 5.1 and Table 5.2). An appropriate conceptual framework therefore has to make provision for the above-mentioned constructs.

**Table 5.2: Conceptual framework constructs with dimensions and sub-dimensions**

<b>Dimension (Concept)</b>	<b>Sub-dimension elements</b>	<b>Cross-reference</b>
1. Entrepreneurial Attributes	1.1. Risk propensity	Section 4.3.1: Table 4.2
	1.2. Entrepreneurial growth perception; value system and motivation	Section 4.3.1: Table 4.2
	1.3. Locus of control	Section 4.3.1: Table 4.2
	1.4. Holistic approach	Section 4.3.1: Table 4.2
	1.5. Formal education: knowledge	Section 4.3.1: Table 4.2
	1.6. Prior-work experience	Section 4.3.1: Table 4.2
2. Strategic behaviour	2.1. Organisational level	Section 4.3.2: Table 4.3
	2.2. Individual level	Section 4.3.2: Table 4.3

## **5.7 THE DEVELOPMENT OF THE RESEARCH INSTRUMENT**

### **5.7.1 Creation of an item pool**

The first step toward the development of a questionnaire, by which each dimension of strategic behaviour could be measured, was to develop a pool of items for each dimension. The construction of the final questionnaire that was used in the data-gathering phase of this study, and included in Appendix 5, was guided by the criteria as detailed in Chapter 5, Section 5.5.

### **5.7.2 Constructs of entrepreneurship**

The sub-dimensions underlying each entrepreneurial attributes dimension is summarised in Table 5.3. These constructs were utilised as the basis for producing question items concerning entrepreneurial attributes for the preliminary questionnaires (ref. Appendices 3 and 4).

**Table 5.3: Sub-dimensions of entrepreneurial attributes**

<b>Entrepreneurial growth perception; value system and motivation:</b> the degree to which an individual's value system can contribute toward economic growth and development; be successful; and, creative through the unique exploitation of opportunities (ref. Section 4.3.1(vi)).
<b>Locus of control:</b> the degree of authority, freedom and independence that individuals display (ref. Section 4.3.1(ii)).
<b>Holistic approach:</b> the degree to which an individual is able to observe critical trends, is informed about the needs of the customer, and, evaluates the behaviour of the competition (ref. Section 4.3.1(i)).
<b>Prior-work experience:</b> the extent to which an individual has specific technical skills and prior-experience related to various functional management areas of the business (ref. Section 4.3.1(vi)).
<b>Formal education - knowledge:</b> the extent to which an individual has general business knowledge and experience (ref. Section 4.3.1(iv)).
<b>Risk propensity:</b> the extent to which an individual is inclined to take calculated risks versus being (in the extreme) totally risk averse (ref. Section 4.3.1(v)).

Source: adapted from Maas (1996: 69)

### 5.7.3 Item pool concerning the demography of SMMTE owners

An initial pool of question items were generated dealing with the generic demographic questions about SMMTE owners. These are reflected in Section A of the preliminary questionnaires. (Refer to Appendix 3 and 4, particularly, Questions 1 to 15 of the questionnaires. The pool of question items that were included in the final version of the questionnaire is included in Appendix 5 (Questions 1 to 15)).

### 5.7.4 Constructs pertaining to the personal attributes of SMMTE owners

The personal attributes of SMMTE owners were discussed in the literature study (ref. Section 4.3.1). The creation of the item pool measuring the entrepreneurial attributes of SMMTE owners

is discussed hereunder (ref. Appendix 5, Section B, Questions 16 to 25 of the questionnaire for the pool of question items that were included in the final version of the questionnaire).

#### 5.7.4.1 Locus of control

Locus of control is considered as an individual's general expectancy that the outcome of an event is either within their personal control and understanding (internal) or beyond their personal control and understanding (external) (Wijbenga & van Witteloostuijn, 2004: 20-22). Maas (1996: 97) indicates that SMMTE owners should preferably have an internal locus of control. Maas (1996: 97) refers to the 1998 De Coning study that used the Rotter Internal – External control instrument as a measurement tool in this regard. The Rotter instrument consists of 29 paired statements, of which half each refer to either internal or external loci. The De Coning study consequently, through consultations with various stakeholders, ultimately reduced the item pool to six items. Maas (1996: 97) underscores that the original (comprehensive) Rotter instrument and the abbreviated De Coning instrument show a high correlation.

In the light of the above, it was decided to use the same De Coning instrument in determining the locus of control within the SMMTE research population (refer to Appendix 5, Section B, Questions 16 to 25 of the questionnaire for the pool of question items that were included in the final version of the questionnaire).

The final seven-point scale that was used indicates if the respondent has an internal or external locus of control (refer to Table 5.3.1).



**Table 5.3.1: Locus of control seven-point scale**

<b>Combinations</b>	<b>Scale</b>
Only external responses	1
5 external and 1 internal responses	2
4 internal and 2 internal responses	3
3 external and 3 internal responses	4
2 external and 4 internal responses	5
1 external and 5 internal responses	6
Only internal responses	7

Source: Maas (1996: 98)

#### 5.7.4.2 Formal management education

The literature study (see Section 4.3.1) indicates that SMMTE owners should have comprehensive business management knowledge because SMMTE owners have a direct interest and involvement in the day-to-day operation of the SMMTE. Question items are consequently included toward determining the knowledge and experience of the SMMTE owner in the various functional areas of the enterprise. Refer to Appendix 5, Section B, Questions 17 and 18, for the relevant question items.

In order to be able to execute higher-order statistical analysis, the data was further classified in terms of the following aspects: no education and education; or prior experience, and, no prior experience. In such a manner, no experience or no education would be allocated one point on the scale up to and including a maximum of number of points where a person has management education or prior management experience, in all aspects. Refer to Tables 5.3.2.1 and 5.3.2.2 in this regard.

**Table 5.3.2.1: Management education eight-point scale**

Combinations	Scale
No education	1
1 education and 6 none	2
2 education and 5 none	3
3 education and 4 none	4
4 education and 3 none	5
5 education and 2 none	6
6 education and 1 none	7
7 education in all categories	8

Source: adapted from Maas (1996: 99)

**Table 5.3.2.2: Prior management experience six-point scale**

Combinations	Scale
No prior experience	1
1 prior experience and 4 none	2
2 prior experience and 3 none	3
3 prior experience and 2 none	4
4 prior experience and 1 none	5
5 prior experience in all categories	6

Source: adapted from Maas (1996: 99)

#### 5.7.4.3 Technical expertise

Successful SMMTE owners, according to the literature study (see Section 4.3.1) must not only have management knowledge and experience but must also possess the requisite technical

competence. One question was included in the question pool in this regard (see Appendix 5, Section B, Question 19, in this regard).

#### 5.7.4.4 Entrepreneurial attitude (growth perception; value system and motivation) of SMMTE owners

Two aspects in regard to determining entrepreneurial attitudes can be identified according to Maas (1996: 99). Firstly, there must be a meaningful expression of the behaviour that needs to be measured. Secondly, an appropriate scale is required to determine the attitude respondents toward certain statements presented to them.

Maas (1996: 99) suggests approaches in this regard. In regard to the first issue referred to above, standardised tests are proposed. This type of testing, however, is of a much specialised nature and is too complex for the purposes of this study. The De Coning (1988) study, states Maas (1996: 99), had designed a measurement instrument to measure the attitudes of respondents and then to classify these as entrepreneurial or non-entrepreneurial. In regard to the second issue referred to above, questions concerning the attitudes of the venture owners were derived from the literature study (see Section 4.3.1). The question items were classified on a Likert scale ranging from “significant” to “no interest”. This method however is not conducive toward higher-order statistical analysis, because it only indicates frequency distributions of the behaviours. In order to be able to execute higher-order statistical calculations, the data was further classified in terms of the following aspects: no entrepreneurial reasons would be allocated one point on the scale up to and including a maximum of number of points whereby a respondent had evidenced all three entrepreneurial attitudinal aspects (refer to Table 5.3.3). This method was used in the relevant question items in the questionnaire (see Appendix 5, Section B, Question 20, in this regard). Furthermore, a supplementary forced-choice question was posed whereby the respondents were asked to rank the three most important items (see Appendix 5, Section B, Question 21, in this regard).

**Table 5.3.3: Attitude of SMMTE owners**

Combinations	Scale
No entrepreneurial reasons	1
1 entrepreneurial reason	2
2 entrepreneurial reasons	3
3 entrepreneurial reasons	4

Source: Maas (1996: 100)

#### 5.7.4.5 Risk propensity

An SMMTE owner who exploits an opportunity is usually considered to be a calculated risk taker (thus has a propensity for risk), according to Maas (1996: 100). Question items, in this regard, are included in the questionnaire (see Section 4.3.1). (Refer to Appendix 5, Section B, Question 22). The statements that refer to entrepreneurial risk propensity are however only question 22.3; all other statements refer to risk-avoidance behaviour. This data collection method however results in frequency distributions of the behaviour which is not conducive to higher-order statistical analysis. In order to be able to execute higher-order statistical analysis, the data was classified on a two-point scale in terms of whether the responses either indicated only risk avoidance reasons, or, alternatively included risk propensity reasoning as an option (refer to Table 5.3.4). Furthermore, a supplementary forced-choice question was posed whereby the respondents were asked to rank the three most important items (see Appendix 5, Section B, Question 23, in this regard).

**Table 5.3.4: Two-point scale for risk profiling the SMMTE owners**

Combinations	Scale
all risk-avoidance reasons only	1
one risk-seeking, five risk avoidance reasons	2

Source: Maas (1996: 100)

#### 5.7.4.6 Holistic approach

Section 4.3.1 highlights the importance of SMMTE owners being able to (holistically) conceptualise current and potential factors (internal and external) that are (may) be impacting on their businesses. The SMMTE owners, according to Maas (1996: 101), need to possess a holistic approach of their businesses and be able harness synergy from their ventures. Namely, projects in areas where the SMMTE have not focussed are identified. Questions concerning the holistic approach were included in the questionnaire (see Appendix 5, Section B, Question 24 in this regard). Half of these questions items are constructed in such a manner that they focus on internal aspects whilst conversely the other half of the questions are constructed in such a manner that they focus on external aspects. This data collection method however results in frequency distributions of the behaviour which is not conducive to higher-order statistical analysis. In order to be able to execute higher-order statistical calculations, the data was further classified in terms of the following aspects: only internal reasons would be allocated on one point of the scale up to and including a maximum of number of points whereby a respondent had evidenced all external reasons (refer to Table 5.3.5). Accordingly, respondents could then be classified in accordance to their internal or external holistic approach (refer to Table 5.3.5). Furthermore, a supplementary forced-choice question was posed whereby the respondents were asked to rank the three most important items (see Appendix 5, Section B, Question 25, in this regard).

**Table 5.3.5: Holistic approach**

Combinations	Scale
3 internal reasons	1
2 internal and 1 external	2
1 internal and 2 external	3
3 external reasons	4

Source: Maas (1996: 101)

### 5.7.5 Constructs pertaining to strategic behaviour

The constructs underlying each dimension of strategic behaviour are summarised in Table 5.4. These constructs were utilised as the basis for producing items on strategic behaviour for the preliminary questionnaire (refer to Table 5.5 and its accompanying discussion). This section is primarily concerned with the co-producers of strategic behaviour of SMMTEs. The discussion hereunder follows the same pattern as set out in the questionnaire (refer to Appendix 5 Section C and D, Questions 26 and 27 of the questionnaire, respectively).

**Table 5.4: Dimensions of strategic behaviour – (ref. Section 4.3.2)**

<p><b>Question 26: Organisational strategic behaviour:</b> the degree to which an organisation's internal environment (complexity and volatility) and conditions (internal power structure, past and present strategies) permit strategic decisions amongst the internal and external stakeholders (ref. Section 4.3.2.2).</p>
<p><b>Question 27: Individual level strategic behaviour:</b> the extent to which an individual is able to acquire, understand, disseminate and react to relevant information concerning the SMMTE as a strategic learning competency (ref. 4.3.2.1).</p>

Source: Rajagopalan, Rasheed and Datta (1993: 276-7)

#### 5.7.5.1 Organisational strategic behaviour

This section of the questionnaire is concerned with the various organisational activities associated with an organisation's internal environment (complexity and volatility) and conditions (internal power structure, past and present strategies) permit strategic decisions amongst the internal and external stakeholders (see Chapter 4 – Section 4.3.1). Various question items are included in the questionnaire in this regard. A Likert scale was used, of which some were positively stated and other were negatively stated (ref. Table 7.2.1). Respondents were requested to indicate how important they considered each statement to be in the context of their business (refer to Appendix 5, Section C, Question 26 of the questionnaire).

#### 5.7.5.2 Individual level strategic behaviour

SMMTE owners are required to be able to acquire, understand, disseminate and react to relevant information concerning the SMMTE as a strategic learning competency in order to ensure the sustainability of the venture. Refer to Figure 4.3. Various question items were included in the questionnaire in this regard (refer to Appendix 5, Section D, Question 27 of the questionnaire). A Likert scale was used, of which some were positively stated and other were negatively stated (ref. Table 7.2.2). Respondents were requested to indicate how important they considered each statement to be in the context of their business.

#### 5.7.6 Pilot working (or testing) the questionnaire

It is stated by De Vos (2001: 158, 182), Oppenheim (1992: 47), Veal (1997: 194), and, Converse and Presser (1986: 51) that in order to improve the success and effectiveness of an investigation, a piloting strategy of the questionnaire needs to be undertaken before being administrated to the research population. This testing has to prove that the instrument can be used with confidence in the rest of the empirical investigation. Usually, this includes subjecting the instrument to the scrutiny and criticism of a representative panel of the entire research population. The whole process, according to Oppenheim (1992: 47), of designing and trying out questions and procedures is usually referred to as “pilot work”. Maas (1996: 106), underscores that the questionnaire must be tested in its totality. The following pilot work strategy was undertaken:

##### 5.7.6.1 Testing 1: Concept questionnaire tested by a panel of SMME academic experts

A concept (preliminary) questionnaire was compiled and tested with a panel of SMME academic experts. Converse and Presser (1986: 65) underscore that this stage represents the qualitative stage of testing the research instrument and alternatively term this phase of testing as the developmental or pre-testing phase. This phase is focussed on addressing two broad purposes, state Converse and Presser (1986: 54-59): firstly, to assess the specific questions for: meaning, difficulty, and, the respondents’ interest and attention; secondly, to assess the research instrument as a whole in regard to the flow and “naturalness” of the sections, the order

of the questions, skip patterns, timing, overall interest and attention of the respondents, and the respondents' well-being. Furthermore, if the respondents in the pretest phase are told that this is a practice run and are asked to explain their reactions and answers, this testing phase is called a "participating" pretest. In other cases where the participants in the pretest are not told that this research instrument is under construction, this would have been called an "undeclared" pretest (Converse and Presser, 1986: 52-53).

A specialist panel of seven academic personnel from Walter Sisulu University, Human Sciences Research Council and Cape Peninsula University of Technology, who were deemed to be specialists on SMMEs and/or strategy, and/or questionnaire design, were invited to participate in the testing of the preliminary instrument. Four completed preliminary questionnaires were returned by this panel.

A cover letter with accompanying full explanations was sent to the test panel inviting them to participate in completing the preliminary questionnaire. The panel was required to validate that the pool items actually measured the dimensions of the research problem. To this end, the panel were asked to respond to three broad categories of questions: what they thought of the research instrument's questions; they were asked to assess whether the formulation of the questions could be clearly understood, convey one concept each, whether they are appropriate in terms of language or readability for the intended target market (so-called face validity); and, the appropriateness of the response method (for example, is the use of Likert scales, binary response and rankings appropriate for the research design?). The cover letter and checklist used by the specialist panel of academic experts, is included in Appendix 3.

The recommendations from the pretesting specialist panel variously referred to questionnaire layout, question response option reformulation, question reformulation and language improvements. Overall, however few recommendations were forthcoming from the pretesting specialist panel; as far as possible these were used to improve the questionnaire.

A concept (preliminary) questionnaire was compiled and administered to a panel of SMMTE business owners.



The pilot-testing panel should, ultimately, not form part of the final research sample. This second stage can alternatively be called the pilot testing stage. Converse and Presser (1986: 74) alternatively call this phase the “polishing” or “dress rehearsal” phase. Furthermore, this phase is not seen as an opportunity to repair gross errors or to make new explorations, but, rather it is an opportunity for cutting, trimming, re-arranging or reformatting for clarity (Converse and Presser, 1986: 75).

#### 5.7.6.2 Testing 2: Pilot testing by SMMTE business owners

A panel of 14 SMMTE business owners was selected using convenience sampling. Cover letters with accompanying full explanations were sent to the test panel inviting them to participate in completing the preliminary questionnaire. Nine completed preliminary questionnaires were returned by the SMMTE panel.

This phase is also focussed on addressing two broad purposes, according to Converse and Presser (1986: 54-59): firstly, to assess the specific questions for: meaning, difficulty, and, the respondents’ interest and attention; secondly, to assess the research instrument as a whole in regard to the flow and “naturalness” of the sections, the order of the questions, skip patterns, timing, overall interest and attention of the respondents, and, the respondents well-being. The pilot-testing panel were asked to respond to three broad categories of questions: what they thought of the research instrument’s questions; they were asked to assess whether the formulation of the questions could be clearly understood, convey one concept each, whether they are appropriate in terms of language or readability for the intended target market (so-called face validity); and, the appropriateness of the response method (for example, is the use of Likert scales, binary repose and rankings appropriate for the research design?). This cover letter and checklist used during the pilot-testing phase by the panel of experts, are included in Appendix 2.

Recommendations from the panel of 14 SMMTE business owners, based on the nine completed questionnaires, were used to improve the preliminary questionnaire. Comments from the SMMTE panel were collated, analysed and ultimately used to improve the validity of the preliminary questionnaire.

Overall, very few recommendations were forthcoming from the pilot SMMTE panel phase with most panellists variously recommending some language improvement. As far as possible, these recommendations were used to improve the preliminary questionnaire. Overall, the panels recommended very few changes to the research instrument. The duration for completing the preliminary questionnaire was between 15 and 30 minutes with most of the test panel members completing the preliminary questionnaire within about 20 minutes. The cover letter and checklist used by the SMMTE business owners are included in Appendix 4.

#### 5.7.6.3 Testing 3: Final specialist evaluation

The preliminary questionnaire was subjected to a further specialist evaluation by Professor Tobie De Coning of the University of Stellenbosch. The preliminary questionnaire was further assessed for grammatical correctness and cases of ambiguity. In such cases, the items were either corrected or removed. The final draft of the questionnaire was compiled after comments had been received from this phase; these mostly referred to refinements of the instrument (ref. Appendix 5 for the final draft of the questionnaire).

### 5.7.7 Developing the final questionnaire

The above evaluation by the test panels resulted in the creation of the final questionnaire, as included in Appendix 5. In writing the items for inclusion into the pool of the final questionnaire, the constructional guidelines (as indicated in Visser, 2003: 151) for pool items were followed in that approximately half the questions were written as positive statements, with the other half as negative statements. The items were subsequently randomly reorganised within each dimension element which consisted essentially of statements, followed by a 5 point Likert scale indicating the participants' agreement with these statements. It is maintained by Visser (2003: 152) that a graphical scale with numbers is preferable.

### 5.7.8 Description of the final instrument

Section A of the research instrument consists of question items related to determining the demographic profile of respondents. This section of the instrument determines the geographical

location; the duration of business operation, the number of branches, if any; the type of businesses, the tourism sector the businesses consider to be their core business; the number of full and part-time employees, an estimation of the number of new full-time posts the business could create within five years; an estimation of the annual gross total turnover and total gross asset value; the gender and age profile of the respondents; the highest educational level; and an indication of the population group of the respondents. Most of the said items have been derived from other instruments that have been previously validated by other researchers such as Loubser (1999: 300), Maas (1996: 249); and Orford, Herrington and Wood (2004: 10-21).

Section B of the research instrument consists of question items that have been previously validated by other researchers such as Maas (1996: 249) (refer to Section 4.3.1).

Sections C and D of the research instrument consists of question items that required undergoing a validation process because although the individual items, as such, had been used by other researchers, these items, as collated in these sections, were a creation for this conceptual model. The validation process consisted of testing these sections of the instrument with specialist panels as described in Section 5.7.7. Table 5.5 depicts the item numbers of the questions that are intended to measure the strategic behaviour dimensions at organisational and individual levels (for Questions 26 and 27) of the strategic behaviour construct.

**Table 5.5: The strategic behaviour construct and its related question items**

Dimension (Concept)	Dimension elements	Dimension sub-elements	These items provide information on this dimension (ref. Appendix 5, Sections C and D)
Strategic behaviour	Organisational level (Question 26)	Foster strategic dialogue amongst all stakeholders	26.1, 26.2, 26.3, 26.4, 26.5, 26.10, 26.11, 26.14, 26.15, 26.17, 26.19, 26.22, 26.23, 26.24, 26.25, 26.26, 26.27, 26.28, 26.29, 26.30, 26.33, 26.34, 26.37, 26.38, 26.39, 26.41, 26.42, 26.44, 26.45, 26.46
		Exploit ingenuity and creativity of stakeholders	26.6, 26.7, 26.8, 26.9, 26.12, 26.13, 26.16, 26.18, 26.20, 26.21, 26.31, 26.32, 26.35, 26.36, 26.40, 26.43
	Individual level (Question 27)	Holistic understanding of the SMMTEs environment	27.1, 27.4, 27.5, 27.6, 27.8, 27.9, 27.11, 27.12, 27.13, 27.17, 27.18, 27.19, 27.20, 27.21, 27.22, 27.23, 27.24, 27.25, 27.26, 27.27, 27.28, 27.29, 27.30, 27.31
		Creativity	27.2, 27.14, 27.15
		Vision of the SMMTEs future	27.3, 27.7, 27.10, 27.16,

Source: derived from Rajagopalan, Rasheed and Datta (1993: 277-280); Hynes (2003: 4-5); Bonn (2001: 64); Goosen (2002: 277-9); Loubser (1999: 350-60) and Visser (2003: 320-325)

This section of the instrument focuses on the *a priori* model construct of strategic behaviour, at organisational and individual levels, within SMMTEs. The items that are included in this section could not be measured with a single available instrument that had been tested and validated in previous studies. This section of the questionnaire is based on insights gained from the works of Rajagopalan, Rasheed and Datta (1993: 277-280); Hynes (2003: 4-5); Bonn (2001: 64); Goosen (2002: 277-9); Loubser (1999: 350-60); and Visser (2003: 320-325). In particular:

- i. Rajagopalan, Rasheed and Datta (1993: 277-280); Hynes (2003: 4-5) and Bonn (2001: 64) deal with the constructs of strategic behaviour (ref. 4.3.2.1 and 4.3.2.2) at organisational and individual levels and provide the foundation for this section of the questionnaire.

- ii. Goosen (2002: 277-9) deals with the measurement of intrapreneurship in organisations, with particular reference to management style and orientation, communication and its effect on intrapreneurship, organisational environment, organisational structures, strategic posturing, risk profiling, innovation and creativity.
- iii. Loubser (1999: 350-60) deals with the market orientation of organisations, with particular reference to market orientation, inter-functional coordination, attitude to strategic marketing, competitor focus, customer focus, organisational structure and systems, business behaviour, intelligence generation, responsiveness to intelligence, business philosophy, management philosophy, organisation culture, top management leadership, business performance, intermediate performance, and performance moderators.
- iv. Visser (2003: 320-325) deals with transformational leadership in SMEs, with particular reference to idealised influence, intellectual stimulation, inspirational leadership, and individualised consideration.

The insight gained from the aforementioned studies is used to compile the question items to determine the manifestation of strategic behaviour at organisational and individual levels. Refer to Appendix 5, Sections C and D (ref. Table 5.5).

Section E of the research instrument consists of two questions which are not part of the conceptual model. These questions have been included to allow any further input in regard to the research on the strategic behaviour within SMMTEs. Consequently, it was decided to utilise open-ended questions to allow the respondents the liberty to generate ideas without restriction.

#### **5.7.9 Population comprehension and sample design**

In order to incorporate SMMTEs on a national basis, it was decided to utilise the database services of the Introye Corporation due to a dearth of workable alternatives in regard to comprehensive databases of SMMTEs in South Africa. Introye Corporation is a reputable commercial database company that has a comprehensive database of some 70 000 businesses throughout South Africa across a broad spectrum of commerce and industry. The decision-makers of these businesses can be selected by either rank (managing director,

chairman, manager etc.) or by portfolio (sales, marketing, IT, etc.), or, a combination of both. During the first round of discussions with Introye Corporation, a comprehensive list containing industrial sectors, business types and business codes was made available, to enable the researcher to select the most appropriate business types and codes associated with the tourism industry (the so-called unit of analysis). From its database, Introye Corporation used the criteria, as depicted in Table 5.6, to extract a list of SMMTEs for the purpose of this research. In the light of this study using the Dunnette model (refer to Figure 5.1), the focus is on the strategic behavioural aspects of SMMTE owners and not on the elements used in the definition of SMMTEs, namely the size of the enterprise, the number of employees and asset values of the business. Furthermore, informal and survivalist SMMTE businesses do not form part of this study and were therefore excluded. Introye Corporation also provided a Postal Address Management Service Supplier (PAMSS) certificate confirming that the cleanliness, or accuracy, of the data provided was at least 97 percent (A-100 Graded) (refer to Appendix 6).

**Table 5.6: Criteria used by Introye Corporation to select a representative sample**

<b><i>Geographical Area/s:</i></b>
➤ Nationally, by province
<b><i>Company Criteria:</i></b>
➤ Head-offices and standalone businesses ➤ Selected business codes i.e. restaurants, taxis, airports, travel agencies, curio dealers etc. ➤ Employee size: 1 – 100
<b><i>People Criteria – If not defaulted to the Top Decision Maker</i></b>
➤ Most senior persons:

The above-mentioned procedure was completed by April 2005 with a provision of a database of 1965 SMMTE to the researcher. Table 5.7 indicates a breakdown (in numbers and percentages) of the database, stratified by province. The aforementioned SMMTE database, due to its relatively small size, was considered also to be the sampling frame of the study.

**Table 5.7: Sampling frame, stratified by province**

Code	Province	N	%
A	Eastern Cape	105	5
B	Free State	38	2
C	Gauteng	890	45
D	KwaZulu Natal	331	17
E	Limpopo	16	1
F	Mpumalanga	37	2
G	North West	23	1
H	Northern Cape	35	2
I	Western Cape	490	25
	<b>TOTAL</b>	<b>1965</b>	<b>100</b>

Pearson's Chi-square ( $\chi^2$ ) tests the null hypothesis that the frequency distribution of certain events observed in a sample is consistent with a particular theoretical distribution. Pearson's chi-square is used to assess two types of comparison: tests of goodness of fit and tests of independence. A goodness of fit-test, which is of particular interest in this case, establishes whether or not an observed frequency distribution differs from a theoretical distribution (Wikipedia, 2009a: internet).

The Chi-square ( $\chi^2$ ) distribution test was performed to test the representativeness of the sampling frame of 1965 possible respondents (as depicted in Table 5.7) in terms of the research population (excluding franchisees) (as depicted in Table 2.4). The findings indicate that  $\chi^2$  equals 144.54, with the degrees of freedom of the test equal to 8, and a p-value equalling less than 2.2. Thus, the  $\chi^2$  distribution test p-value was deemed significant (at  $p < 0.01$ ), indicating that the percentage representation in the sample frame is not the same as in the research population with Gauteng province likely over-sampled, and, Mpumalanga province likely under-sampled. In terms of the aim of this study, little overall impact of this result is foreseen. The study acknowledges a limited bias related to the geographic over-sampling and under-sampling of certain sections of the research population and whereby it could be argued that some predominantly urban based (provincial) respondents were over-sampled and some predominantly rural based (provincial) respondents were under-sampled.

The next phase in the data collection process was completed by mid May 2005 and included the printing, collating and labelling of the questionnaires. Shortly thereafter, 1965 questionnaires were mailed to SMMTEs in South Africa. The respondents were allocated three weeks to complete and return the questionnaire in a pre-paid business reply service envelope provided.

#### **5.7.10 Follow-up**

By the closing date of 8 June 2005, 219 questionnaires (11.1 percent of the universum) were returned, of which 80 useful questionnaires (4.07 percent of the universum) had been received. Reasons for the unusable questionnaires are varied, but, in the main were related to the respondents no longer residing at the address provided, or, they did not wish to participate in the survey.

In the light of the slow/low return, a concerted telephonic follow-up campaign was started immediately after the closing date. Telephonic enquiries tried to determine the reasons for the low response rate from the target population. In such a way, it could be determined if the respondents had understood the questionnaire, if they actually received the questionnaire, or if there was any other problem that the respondents experienced in this regard.

It was deemed unrealistic to make telephonic follow-up calls to all the outstanding respondents. In the light of a desired 20 percent response rate, it was deemed that at least 394 completed questionnaires, (n), were required for this study (refer to Table 5.8). It was decided to make random telephone calls to at least 314 respondents, replacing the names of respondents who indicated an unwillingness to participate with other in the database with those who indicated a willingness to participate, stratified by province until 314 respondents were identified. Table 5.8 depicts the minimum number of telephonic follow-up calls that needed to be made, by province. In reality much more than 314 telephonic follow-ups were made due to a large number of rejections by prospective respondents.



**Table 5.8: Telephonic follow-up calls, by province**

<b>Code</b>	<b>Province</b>	<b>N</b>	<b>%</b>	<b>n</b>	<b>Useable questionnaires received</b>	<b>Minimum follow-up calls</b>
A	Eastern Cape	105	5	21	5	16
B	Free State	38	2	8	0	8
C	Gauteng	890	45	178	26	152
D	KwaZulu Natal	331	17	66	15	51
E	Limpopo	16	1	3	1	2
F	Mpumalanga	37	2	7	5	2
G	North West	23	1	5	1	4
H	Northern Cape	35	2	7	1	6
I	Western Cape	490	25	98	26	72
	<b>TOTAL</b>	<b>1965</b>	<b>100</b>	<b>394</b>	<b>80</b>	<b>314</b>

The telephonic follow-up process was conducted through the completion of a form (as indicated in Appendix 7). The following questions had to be answered by each respondent:

1. Did you receive a questionnaire about the strategic behaviour of SMMTEs of the University of Stellenbosch's Graduate School of Business?
2. Did you complete the questionnaire?
3. If not, do you have any objection against completing the questionnaire?
4. If yes, please state your objections.
5. In not, can you please complete the questionnaire?

The responses to the above-mentioned questions are depicted in Table 5.8.

**Table 5.8: Responses of the telephonic follow-ups**

Was the questionnaire received?	Yes	9
	No	91
Was the questionnaire completed?	Yes	5
	No	95
Any objections to completing the questionnaire?	Yes	20
	No	60
Objections	No time, too long, too little staff, too many questionnaires	Various, of 20 respondents indicated above.
Can a new questionnaire be sent to you?	Yes	96
	No	4

The importance of Table 5.8 was that many of the respondents indicated that they had not received a questionnaire. Evidence, for or against, these claims could not be verified. Only a small percentage objected to completing the questionnaire. The majority of the objections were related to time constraints. This objection had been anticipated, as most of the SMMTE owners are involved in the running of day-to-day activities of their businesses.

The respondents from the target sample were reminded by email communication to complete the questionnaire (as indicated in Appendix 8). By early August 2005 it was clear that the response rate remained poor as only an additional 13 completed questionnaires had been returned. The total returned questionnaires, for the first mailing, was at that stage 232, of which, 118 were deemed usable.

The researcher at this point determined that a second mailing of the questionnaire would need to be re-mailed to respondents who had confirmed their willingness to participate in the study during the initial telephonic follow-up process. The respondents that agreed to have a new questionnaire mailed to them had their address details confirmed as correct. The respondents of the second mailing were given until the end of August 2005 to complete the questionnaire, roughly about three weeks from the date it was posted (refer to Appendix 9). E-mail reminders were sent to the target sample group reminding them to complete and return the questionnaires

in the pre-paid envelopes provided (refer to Appendix 10). By the closing date of the second mailing, an additional 109 questionnaires were returned, of which, 50 questionnaires were deemed useable.

A second telephonic follow-up campaign included about 20 respondents in the target sample group, selected on a random basis, stratified by province, and was undertaken to determine the reasons why a large number of the target sample group had not completed and returned the questionnaire as undertaken in the initial telephonic campaign. Surprisingly, a majority of the respondents indicated that they had not received the mailed questionnaire (even though the contact details had been confirmed in the initial telephonic campaign). (Refer to Appendix 11).

#### **5.7.11 Response rate**

The response rate improved marginally with follow-up telephonic calls and email communication that were made and, the postponement of the due-date for the return of the completed questionnaires. In total 316 questionnaires were returned which represents a total response rate of 16.08 percent, of this 168, or 8.56 percent was conservatively deemed to be the useable response rate. Telephonic enquiries (refer to Table 5.9) confirmed that it was not the study or the questionnaire design that was responsible for the relatively low response rate. External variables such as the respondents not having received the mailed questionnaire, and to a lesser degree, the change of SMMTE ownership, seemed to indicate the main reasons for the low response rate.

**Table 5.9: Response rate to mailed questionnaires, by province**

Province	Questionnaires mailed		Useable questionnaires	
	N	%	n	%
Eastern Cape	105	5	28	16.7
Free State	38	2	4	2.4
Gauteng	890	45	45	26.8
KwaZulu Natal	331	17	26	15.5
Limpopo	16	1	2	1.2
Mpumalanga	37	2	8	4.8
North West	23	1	1	0.6
Northern Cape	35	2	6	3.6
Western Cape	490	25	48	28.6
<b>TOTAL</b>	<b>1965</b>	<b>100</b>	<b>168</b>	<b>100</b>
<b>Unusable returns:</b>				<b>N</b>
• Address unknown				33
• Business relocated				27
• Refused to participate				81
• Questionnaire grossly incomplete				9

The Chi-square ( $\chi^2$ ) distribution test was performed to test the representativeness of the target sample of 168 respondents (as depicted in Table 5.9) in terms of the research population (excluding franchisees) (as depicted in Table 2.4). The findings indicate that  $\chi^2$  equals 44.0544, with the degrees of freedom of the test equal to 8, and a p-value equalling 5.56. Thus, the  $\chi^2$  distribution test p-value was deemed significant (at  $p < 0.01$ ), indicating that the percentage

representation in the sample frame is not the same as in the research population with Gauteng province likely under-sampled and the Eastern Cape province likely over-sampled. In terms of the aims of this study, little overall impact of this result is foreseen. The study acknowledges a limited bias related to the geographic over-sampling and under-sampling of certain sections of the target sample and whereby it could be argued that some predominantly urban based (provincial) respondents were under-sampled and some predominantly rural based (provincial) respondents were over-sampled.

The follow-up telephonic calls and email communication campaigns, with a final acceptance date of the end August 2005, yielded an additional 109 questionnaires of which 50 were considered useable questionnaires, culminating in a target sample of 168 useable questionnaires, or 8.56 percent of the universe. The useable questionnaires, by province, are presented in Table 5.9

The final or useable response rate is considered as sufficient for this study in order to provide the necessary precision in estimation. In addition to the number (168) of returned useable questionnaires, a further 150 unopened and non-usable questionnaires were returned with reasons such as: wrong address or address unknown being provided. During the period up to November 2005 the data was coded, tested, and recorded by means of the Microsoft Excel and Statistical Package for Social Sciences (SPSS) programmes.

## **5.8 SUMMARY**

This chapter was concerned with the various data gathering instruments available to conduct research. The discussion resulted in selecting an appropriate data gathering method for the study, namely questionnaire administration. Various criteria for the successful compilation of questionnaires were presented. The study design accepts that there are potential weaknesses in any design and as far as possible will minimise these impacts through the careful planning and pilot testing of the questionnaire.

In this chapter the composition and design of the item pool, according to the various elements of the conceptual framework for the research questionnaire, were discussed. The constructs

that were discussed included the following: the constructs of entrepreneurship and the constructs of strategic behaviour.

This chapter described the methods that were employed in regard to the pilot work strategy of the preliminary research instrument, and the adjustments that were required due to the results of the pilot work. This chapter was concluded with a detailed description as to how the responses of the study were elicited.

Chapter 6 is concerned with a discussion of the application, and responses, of the questionnaire.

## **CHAPTER 6**

### **DATA ANALYSIS: DESCRIPTIVE STATISTICS**

#### **6.1 INTRODUCTION**

The previous chapter illustrated the methods used to develop and test the research instrument of this study. This chapter, accordingly, defines and describes the research data collected by that instrument, and reports the descriptive statistics.

#### **6.2 ANALYSIS OF THE DESCRIPTIVE STATISTICS**

This section deals with the reporting of the descriptive statistics. The reporting largely follows the sequence of the question items as presented in the research instrument.

##### **6.2.1 Demographic characteristics of SMMTEs**

The data findings in this section are primarily concerned with the demographic characteristics of the participants in the study through describing the geographic location, age, gender, level of qualifications, and population group classification of the research population. The majority of respondents can be demographically characterised as originating from the Western Cape (28.7%) and Gauteng (26.2%); are most likely based in a urban /metropolitan area; are most likely (28.6%) 45 to 54 years of age; most likely (70.5%) of the male gender; the highest number have attained a Grade 12 (33.5%) qualification; and, the majority (85.9%) can be classified as being from the White population group. This study's profile compares favourably with that of the South African SMMTE profile provided by THETA (2009a: 19, 20, 22, 26, 31, 43, 56, 60). The said THETA profile typifies the South African SMMTE as: largely Gauteng based which by far has the largest number (44.6%) of SMMTEs; is dominated (74.27%) by the hospitality sub sector; the number of SMMTEs employing 0 to 49 employees is the most prominent (96.14%); the majority of employees are most likely Black males with most in elementary employment (38.6%); White male employees constitute the majority (38.02%) in management positions (in the hospitality sub sector); the industry requires a workforce with

relevant and high level (National Qualification Framework Level 5 and above) technical and managerial qualifications; the industry is labour intensive; critical skills identified, include amongst other, entrepreneurship, financial management, people skills, business management and leadership; most SMMTEs in the sector are easy to start because of relatively low initial capital outlay requirements; and most of the SMMTEs are operated and managed by their owners who also multi-task.

#### 6.2.1.1 Geographic location

**Table 6.1: Geographic location of the SMMTE sample**

Provinces	Frequency	Percent	Valid Percent	Cumulative Percent
Eastern Cape	28	16.7	16.8	16.8
Free state	4	2.4	2.4	19.2
Gauteng	44	26.2	26.3	45.5
KwaZulu Natal	26	15.5	15.6	61.1
Limpopo	2	1.2	1.2	62.3
Mpumalanga	8	4.8	4.8	67.1
North West	1	.6	.6	67.7
Northern Cape	6	3.6	3.6	71.3
Western Cape	48	28.6	28.7	100.0
<b>Total</b>	<b>167</b>	<b>99.4</b>	<b>100.0</b>	
No response	1	.6		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

An analysis of the data concerning the geographic location of the respondents indicates that the respondents in the SMMTE sample can be characterised as mostly originating from the Western Cape (28.7%) and Gauteng (26.2%) provinces.

A closer analysis of the towns' names provided by the SMMTE respondents suggest that a notable number of SMMTE businesses are concentrated (or polarised) in the major urban centres or tourism development nodes of the Provinces. Of those who indicated that their



SMMTEs were situated in the Western Cape, 20.2 percent of the total respondents are based in the Cape Town Metropolitan area. Similar observations can be made for Gauteng Province where 16.1 percent of the total response group are operating from within the Greater Johannesburg Metropolitan area. Refer to Appendix 13 for more information in this regard. The South African GEM 2008 report (Herrington, Kew & Kew, 2009: 24-6) notes considerable variation across the provinces in terms of level as well as the type of general entrepreneurial activity within each region. The report suggests that overall Gauteng, Western Cape and KwaZulu Natal are the most dynamic provinces in terms of general entrepreneurial activity and account for two-thirds of early stage entrepreneurial activity in the country.

#### 6.2.1.2 Age

**Table 6.2: Age distribution of the SMMTE sample**

Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-24 years	2	1.2	1.2	1.2
25-34 years	19	11.3	11.3	12.5
35-44 years	43	25.6	25.6	38.1
45-54 years	48	28.6	28.6	66.7
55-64 years	41	24.4	24.4	91.1
65 years and older	15	8.9	8.9	100.0
<b>Total</b>	<b>168</b>	<b>100.0</b>	<b>100.0</b>	

The results depicted in Table 6.2 indicate that the majority (28.6%) of respondents can be described as being 45 to 54 years of age. A further noticeable number of SMMTE respondents were aged 35 to 44 years (25.6%) and 55 to 64 years old (24.4%). Overall, just over three-quarters (78.6%) of the SMMTE owners in the study are between 35 and 64 years of age. The results suggest that the majority of respondents in this study are older than the general trend evidenced in general entrepreneurial profiling studies, such as the South African GEM 2008 report (Herrington, Kew & Kew, 2009: 23), where South Africans aged between 25 and 44 are clearly the most entrepreneurially active. The SMTE respondents of this study, it is suggested

can alternatively be termed as the “Baby Boomers” generation. The “Boomers” were born between 1946 and 1964, although in the South African case, the Boomer years have been extended to 1970 due to the policy of apartheid that tried to socially engineer society. In the context of the South African family SMTEs, the Boomers (especially the younger segment, 36 to 50 years old) have the greatest impact. Boomer family SMTEs are seen to be associated with customised service, are approaching life with a new stability and sensibility in the way they eat, spend, think and live. The older-Boomer Generation (50 to 65 years old) are “opting for ... comfort, consistency and cost-effectiveness”. It is also noted that there is a clustering of respondents who are up to 35 years of age, the so-called Generation X. However, in the context of the South African SMTEs, it is suggested that they represent a potentially new SMMTE stakeholder group for the near future, and require continual research (Tassiopoulos & Haydam, 2007: 880). The predominance, according to Carlsen and Getz (2000: 239), of middle aged respondents in the tourism industry may reflect a trend towards semi-retirement and subsequent self-employment.

#### 6.2.1.3 Gender

**Table 6.3: Gender distribution of the SMMTE sample**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Male	117	69.6	70.5	70.5
Female	49	29.2	29.5	100.0
<b>Total</b>	<b>166</b>	<b>98.8</b>	<b>100.0</b>	
No response	2	1.2		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The findings, depicted in Table 6.3, indicate that the majority (70.5%) of the SMMTE senior decision-makers in the study are male. The South African GEM 2008 report (Herrington, Kew & Kew, 2009: 20-2) found that South African female participation rates in general entrepreneurial activity compared to males is a cause for concern, where the ratio in 2008 is 1 to 1.6, respectively. It was found that although this ratio is better than the GEM average, it is a cause

for concern particularly when South Africa is compared with other developing economies (e.g. Peru and Argentina) where female participation rates are just below that of males.

#### 6.2.1.4 Highest educational qualifications

**Table 6.4: Level of Education distribution of the SMMTE sample**

Level of Education	Frequency	Percent	Valid Percent	Cumulative Percent
Grade 10 (Std8) or lower	7	4.2	4.3	4.3
Grade 12 (Std 10) or Matriculation	54	32.1	33.5	37.9
National diploma (3 years qualification)	40	23.8	24.8	62.7
Degree (3 or 4 year qualification)	32	19.0	19.9	82.6
Post-graduate qualification	22	13.1	13.7	96.3
Other educational qualification	6	3.6	3.7	100.0
<b>Total</b>	<b>161</b>	<b>95.8</b>	<b>100.0</b>	
No response	7	4.2		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The findings, as depicted in Table 6.4, suggest that the single largest group (33.5%) of SMMTE decision-makers have only a Grade 12 qualification. The findings however also indicate that a further 44.7 percent of SMMTE decision-makers have a three-year tertiary qualification, namely, 24.8 percent have a National Diploma and 19.9 percent have a degree qualification.

## 6.2.1.5 Population groupings

**Table 6.5: Population group distribution of the SMMTE sample**

Population group	Frequency	Percent	Valid Percent	Cumulative Percent
Black/African	13	7.7	8.0	8.0
Colored	2	1.2	1.2	9.2
Asian/Indian	8	4.8	4.9	14.1
White	140	83.3	85.9	100.0
<b>Total</b>	<b>163</b>	<b>97.0</b>	<b>100.0</b>	
No response	5	3.0		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

It needs to be underscored that this study only included formally registered businesses and did not include SMMTEs operating in the informal tourism industry. The research findings suggest that the majority (85.9%) of SMMTE decision-makers describe themselves as being from the White population group. The results further indicate that only eight percent of the respondents indicated that they were Black/African.

The South African GEM 2008 report (Herrington, Kew & Kew, 2009: 23-4) has found a strong association between population group and general entrepreneurial activity. The report indicates that SMME owners who are from the White and Indian population groups are the most likely to start a new business. Black South Africans, on the other hand, are least likely to start a new business. This can to a large extent be attributed to South Africa's legacy of apartheid which has had a fundamental impact on general entrepreneurial activities within a large portion of the population.

### 6.2.2 Business characteristics of SMMTEs

**Table 6.6: Summary of the business characteristics of SMMTEs in the sample**

Key business characteristics	n	%
More than 42 months (or 3.5 years) in operation	146	86.9%
No branches, other than the main business	133	79.2%
Private company (Pty) Ltd registered	63	37.7%
Are family businesses	95	57.6%
Operate in the accommodation and catering sector	103	61.3%
Employ 10 to 49 full-time staff	75	45.2%
Expect to employ an additional 10 to 49 full-time employees within the next five-year period	46	28.8%
Employ up to 4 part-time employees per annum	67	40.1%
Estimated total gross turnover of between R1 million and R5 million	63	39.6%
Estimated total gross asset value of more than R1.5 million (excluding fixed property)	64	40%

An overview of the of the most distinctive business characteristics of SMMTEs, which participated in the study, is depicted in Table 6.6. Hereafter an in-depth discussion will follow (in Section 6.2.2) of each of these business characteristics.

## 6.2.2.1 Years in operation (stage of development)

**Table 6.7: Stage of development of the SMMTE sample**

<b>Stages</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Less than three months - nascent SMMTEs	0	0	0	0
Between three and 42 months (or 3.5 years) - new SMMTEs	17	10.1	10.1	10.1
More than 42 months (3.5 years) -established SMMTEs	146	86.9	86.9	97.0
Uncertain/don't know	5	3.0	3.0	100.0
<b>Total</b>	<b>168</b>	<b>100.0</b>	<b>100.0</b>	

The study sought to distinguish between nascent (or start-up or emerging), new (or persistent) and established SMMTEs. This study included SMMTEs as from the nascent entrepreneur stage (less than three months) to the new stage (between three and 42 months (or 3.5 years) and to established stage (more than 42 months (3.5 years)). The results indicate that the majority (86.7%) of the SMMTEs that participated in this study are in the so-called established stage. No start-up (or nascent entrepreneur stage) SMMTEs (up to three months in operation) seemingly participated in this study probably due to very limited time resources available to such SMMTE owners to participate in this study.

## 6.2.2.2 Branches - other than the main business

**Table 6.8: Branches other than the main SMMTE operation**

Branches	Frequency	Percent	Valid Percent	Cumulative Percent
None	133	79.2	79.2	79.2
One	14	8.3	8.3	87.5
Two	7	4.2	4.2	91.7
Three to five	11	6.5	6.5	98.2
11 to 20	2	1.2	1.2	99.4
100 or more	1	.6	.6	100.0
<b>Total</b>	<b>168</b>	<b>100.0</b>	<b>100.0</b>	

The results of this study indicate that the majority (79.2%) of SMMTEs have no branches in existence and can thus be considered single-entity operations.

## 6.2.2.3 Legal form of business (business type)

**Table 6.9: Legal form of business (business type)**

Legal form	Frequency	Percent	Valid Percent	Cumulative Percent
Sole trader	29	17.3	17.4	17.4
Partnership	7	4.2	4.2	21.6
Close corporation	49	29.2	29.3	50.9
Private company (Pty) Ltd	63	37.5	37.7	88.6
Public company	3	1.8	1.8	90.4
Trust	6	3.6	3.6	94.0
Other	10	6.0	6.0	100.0
<b>Total</b>	<b>167</b>	<b>99.4</b>	<b>100.0</b>	
No response	1	.6		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The results in the study suggest that the majority of SMMTEs are private companies (37.7%); a further 29.3 percent indicated that they are Close corporations; and 17.4 percent operate as sole proprietorships.

#### 6.2.2.4 The extent of SMMTE family businesses

**Table 6.10: SMMTE family businesses**

Family SMMTE	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	95	56.5	57.6	57.6
No	70	41.7	42.4	100.0
<b>Total</b>	<b>165</b>	<b>98.2</b>	<b>100.0</b>	
No response	3	1.8		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The results of this study, as depicted in Table 6.10, suggests that a majority (57.6%) of SMMTEs are family-owned businesses. Lewis (2004: 2) and George (2007: 190) propose that the growth potential of family-owned SMMTEs is influenced by the attitude to growth held by the owner. There is a distinct difference between growth and profit orientated SMMTE entrepreneurs and, autonomy and SMMTE lifestyle entrepreneurs to the extent that autonomy and lifestyle-orientated entrepreneurs are *usually regarded* as owner-managers, rather than entrepreneurs. It is further indicated by De Coning (1988: 29) that although some entrepreneurs may mostly be characterised as being achievement focussed; in practice it can be expected that there is a range of achievement foci amongst entrepreneurs that also includes entrepreneurs that have only a limited desire to achieve and are more focussed on attaining independence and or making provision for family or lifestyle requirements. The findings of Oswald, Muse and Rutherford (2009: 128-9) further indicate that family ownership does help to cultivate a culture of growth for some SMMEs, as the businesses grow (possibly to medium size), employees and members of the top management teams become more entrenched in keeping the family businesses afloat.



## 6.2.2.5 The tourism industry sectors in which SMMTE business are mainly involved

**Table 6.11: SMMTEs and the sectors of the tourism industry**

Sectors	Yes, operate in the said sector		No, do not operate in the said sector	
	Absolute (n)	Relative (%)	Absolute (n)	Relative (%)
Transportation sector	8	4.8	160	95.2
Private sector support services	5	3	163	97
Recreation, leisure and attractions sector	25	14.9	143	85.1
Travel, wholesale and retail services sector	29	17.3	139	82.7
Events sector	10	6	158	94
Accommodation and catering sector	103	61.3	65	38.7
Public sector support services	3	1.8	165	98.2
Other	8	4.8	160	95.2

The results of this study indicate that the most important sector of the tourism industry for SMMTEs is the accommodation and catering sector, with 61.3 percent of SMMTEs doing business in that sector. The travel, wholesale and retail services sector is considered to be the second most significant sector for SMMTEs, with 17.3 percent of SMMTEs doing business in that sector of the tourism industry. The recreation, leisure and attractions sector is the third most significant sector with 14.9 percent of SMMTE operating in that sector.

## 6.2.2.6 The number of full-time employees employed by SMMTEs

**Table 6.12: Full-time employees employed by SMMTEs**

Full-time employees	Frequency	Percent	Valid Percent	Cumulative Percent
None	9	5.4	5.4	5.4
Up to 4 employees	19	11.3	11.4	16.9
5 to 9 employees	43	25.6	25.9	42.8
10 to 49 employees	75	44.6	45.2	88.0
50 to 99 employees	16	9.5	9.6	97.6
100 or more employees	4	2.4	2.4	100.0
<b>Total</b>	<b>166</b>	<b>98.8</b>	<b>100.0</b>	
No response	2	1.2		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The employment trends and patterns in the tourism sector are characterised as being cyclical and seasonal, and highly influenced by world events (THETA, 2009a: 15). The findings as depicted in Table 6.12 suggest that the largest proportion (45.2%) of SMMTEs employ 10 to 49 full-time staff. It is further noted that 25.9 percent of SMMTEs employ five to nine full-time employees. This implies, that the majority of the formal SMMTEs in the study which employ 10 to 49 full-time staff can be categorised being as very small sized businesses (refer to Appendix 1, 1996 Act 102) in terms of the total number of full-time employee threshold criteria. It is also noted that the majority (88 %) of the formal SMMTEs in the study employ 0 to 49 full-time staff. This study's employment profile compares favourably with that of the South African SMMTE profile provided by THETA (2009a: 20). The said THETA employment profile typifies hospitality SMMTEs as having the highest number of enterprises that employ 0 to 49 employees. It is further indicated by THETA (2009a: 20) that the tourism industry is dominated by SMMTEs that employ 0 to 49 employees, overall.

## 6.2.2.7 An estimation of full-time jobs the business can create within five years

**Table 6.13: Estimation full-time jobs that can be created in next five years**

<b>Full-time jobs</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
None	29	17.3	18.1	18.1
Up to 4 employees	33	19.6	20.6	38.8
5 to 9 employees	39	23.2	24.4	63.1
10 to 49 employees	46	27.4	28.8	91.9
50 to 99 employees	4	2.4	2.5	94.4
100 or more employees	2	1.2	1.3	95.6
Uncertain/don't know	7	4.2	4.4	100.0
<b>Total</b>	<b>160</b>	<b>95.2</b>	<b>100.0</b>	
No response	8	4.8		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The results show the highest proportion (28.8%) of SMMTE decision-makers expected to employ an additional 10 to 49 full-time employees within the next five-year period. A notable number (24.4%) indicated that their full-time staff complement would grow by five to nine employees and a further number (20.6%) of SMMTEs expected to increase their full-time staff by up to four employees. The study also noted that almost a fifth (18.1%) of SMMTE decision-makers indicated no growth prospects in regard to the number of full-time jobs that could be created within the next five years.

## 6.2.2.8 The number of part-time employees per annum

**Table 6.14: Number of per annum part-time employees in the SMMTE sample**

<b>Part-time employees</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
None	40	23.8	24.0	24.0
Up to 4 employees	67	39.9	40.1	64.1
5 to 9 employees	22	13.1	13.2	77.2
10 to 49 employees	31	18.5	18.6	95.8
50 to 99 employees	3	1.8	1.8	97.6
100 or more employees	2	1.2	1.2	98.8
Uncertain/don't know	2	1.2	1.2	100.0
<b>Total</b>	<b>167</b>	<b>99.4</b>	<b>100.0</b>	
No response	1	.6		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The employment trends and patterns in the tourism sector are characterised as being cyclical and seasonal, and highly influenced by world events (THETA, 2009a: 15). The findings, as depicted Table 6.14, show that the majority (40.1%) of SMMTE decision-makers only employ up to four part-time employees per annum. It is further noted that 24 percent of SMMTEs do not employ any part-time staff at all. It needs to be noted that the determination of the full-time equivalent of part-time employees was not considered to be within the scope of this study.

## 6.2.2.9 Estimation of the annual total gross turnover

**Table 6.15: Estimating the annual total gross turnover of SMMTEs**

<b>Annual total gross turnover</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Less than R150 000	12	7.1	7.5	7.5
R150 000 to less than R1 million	32	19.0	20.1	27.7
R1 million to less than R5 million	63	37.5	39.6	67.3
R5 million to less than R8 million	21	12.5	13.2	80.5
More than R8 million	27	16.1	17.0	97.5
Uncertain/don't know	4	2.4	2.5	100.0
<b>Total</b>	<b>159</b>	<b>94.6</b>	<b>100.0</b>	
No response	9	5.4		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The findings indicate that the highest number (39.6%) of SMMTEs estimate an annual total gross turnover of between R1 million and R5 million. A further number of SMMTEs (20.1%) indicated a total gross turnover of between R150 000 and R1 million. This implies, that the majority of the formal SMMTEs in the study have an estimated total gross turnover of between R1 million and R5 million, categorising these as small sized businesses (refer to Appendix 1, 1996 Act 102) in terms of the annual total gross turnover threshold criteria.

## 6.2.2.10 Estimation of the total gross asset value (excluding fixed property)

**Table 6.16: Estimation of the total gross asset value of the SMMTEs**

<b>Total gross asset value</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Less than R100 000	16	9.5	10.0	10.0
R100 000 to less than R150 000	12	7.1	7.5	17.5
R150 000 to less than R0,6 million	37	22.0	23.1	40.6
R0,6 million to less than R1,5 million	26	15.5	16.3	56.9
More than R1,5 million	64	38.1	40.0	96.9
Uncertain/don't know	5	3.0	3.1	100.0
<b>Total</b>	<b>160</b>	<b>95.2</b>	<b>100.0</b>	
No response	8	4.8		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The majority (40%) of SMMTE decision-makers indicated that their businesses had an estimated total gross asset value of more than R1.5 million (excluding fixed property) with a further number (23.1%) indicating an estimated total gross asset value of between R150 000 and R600 000. This implies that the majority of the formal SMMTEs in the study have an estimated total gross asset base of more than R1.5 million (excluding fixed property), categorising these as larger than medium sized businesses (viz. large ) (refer to Appendix 1, 1996 Act 102) in terms of the total gross asset threshold criteria.

Overall, the SMMTEs included in this study can be characterised, in terms of the 1996 NSBA (Act 102) threshold criteria (ref. Section 2.4), as being very small to small sized, if the full-time employment and annual gross turnover threshold criteria are respectively considered. However, the SMMTEs in this study can be characterised as large-sized if the estimated total gross asset threshold criterion is considered from the 1996 NSBA (Act 102) (also refer to Appendix 1). The total gross asset threshold criterion is reflective of certain tourism sub-sectors that have a large total gross asset base (excluding fixed property), for example: hotels, eco-tourism and game farm businesses, casino and gaming operations, and, travel and transport businesses.

### **6.2.3 The attributes of SMMTE owners**

Various questions were posed to the SMMTE owners concerning their personal convictions (locus of control), incidence of formal education in the management fields, experience in the management fields, practical/ technical experience relevant to the workplace, risk propensity, reasons provided as to why people started their own business, decisions that influence the business, common challenges and various approaches to address these.

#### **6.2.3.1 Locus of control of SMMTE owners**

Locus of control (ref. 2.11.2) is considered an individual's general expectancy that the outcome of an event is either within their personal control and understanding (internal) or beyond their personal control and understanding (external). The research further shows, according to Wijnbenga and van Witteloostuijn (2004: 20-22), that there is a higher learning capability with those who have an internal locus of control than with those who have an external locus of control. Furthermore, an internal locus of control is considered to equate with better performance in situations requiring participative management. Small business owners, according to Maas (1996: 96), should preferably have an internal locus of control.

Consequently, the locus of control of the SMMTE respondents was determined by this study. The SMMTE respondents were asked various questions to determine their locus of control. The results of the six questions in this regard are depicted in Table 6.17. Thereafter, it was analysed using a combination scale as shown in Tables 6.17.1 and 6.17.2.

### 6.2.3.1.1 SMMTEs owners' locus of control

**Table 6.17: SMMTEs owners' personal convictions concerning locus of control**

Statements	Absolute frequency (n)		Relative frequency (%)	
	Agree	Don't Agree	Agree	Don't Agree
Unfortunately a person does not always get recognition for their worth, no matter how hard they try	76	85	47.2	52.8
When plans are conceptualised, I am practically sure that I will succeed	138	25	84.7	15.3
Most people do not realise to what degree their lives are controlled by incidental events	116	44	72.5	27.5
Sometimes I feel that I do not have enough control over my life in regard to the direction it is taking	37	125	22.8	77.2
To get what I want, (personally) nothing or little has to do with luck	121	38	76.1	23.9
Many of the unlucky things that happen to people can be ascribed to fate	55	104	34.6	65.4

The aforementioned table was then processed to determine the locus of control of the SMMTEs in the study. In view of the six statements, indicated in Table 6.17, the following desired responses were sought to determine the internal locus of control of the respondents:

- 1 is no (or don't agree)
- 2 is yes (or agree)
- 3 is no (or don't agree)
- 4 is no (or don't agree)
- 5 is yes(or agree), and,
- 6 is no (or don't agree)



A scale was used to convert the above-mentioned list of desired responses into a seven-point scale with Table 6.17.1 being utilised to that end.

**Table 6.17.1: Locus of control seven-point scale (ref. Table 5.3.1)**

Combinations	Scale
Only external responses	1
5 external and 1 internal responses	2
4 external and 2 internal responses	3
3 external and 3 internal responses	4
2 external and 4 internal responses	5
1 external and 5 internal responses	6
Only internal responses	7

**Table 6.17.2: Locus of control of the SMMTE respondents**

Category	Absolute frequencies (n)	Relative frequencies (%)
1 (external locus of control)	4	2.45
2	3	1.84
3	21	12.88
4	41	25.15
5	39	23.93
6	40	24.54
7 (internal locus of control)	15	9.20

The locus of control for the SMMTEs in the study is depicted in Table 6.17.2. The findings clearly indicate that the respondents have an overwhelming *internal* locus of control (categories four to seven). The majority of respondents are in category four (25.15%) with the least in category two (1.84%).

### 6.2.3.2 The incidence of formal management education of SMMTE owners

SMMTE owners, according to Maas (1996: 98), need to have comprehensive business knowledge in the light of such owners having direct interests and involvement in their business. In order to gain an overview of the state of formal management education of the SMMTE decision-makers, various questions were posed to the respondents in this regard for this study.

**Table 6.18: Formal education in management fields of the SMMTE sample**

Categories	Absolute frequency		Relative frequency (%)	
	Education	No education	Education	No education
Financial management	85	56	60.3	39.7
Marketing management	76	54	58.5	41.5
Humans Resource management	59	60	49.6	50.4
Strategic management	55	67	45.1	54.9
General management	91	47	65.9	34.1
Tourism business studies	42	70	37.5	62.5
Other	26	20	56.5	43.5

In regard to formal management education, seven categories were presented to the SMMTE respondents as depicted in Table 6.18. The results in Table 6.18 indicate that a notable majority of SMMTE decision-makers had received formal management education in three out of the seven categories, namely financial management (60.3%), marketing management (58.5%), and general management (65.9%). The fourth category, other (56.5%), although notable, could not be further analysed due to insufficient information provided by the SMMTE respondents. The study notes that 54.9% of SMMTE decision-makers had not received formal education in strategic management and 34.1 percent had not received education in tourism business studies.

**Table 6.18.1: Management education of SMMTE owners (ref. Table 5.3.2)**

Combinations	Scale
No education	1
1 education and 6 none	2
2 education and 5 none	3
3 education and 4 none	4
4 education and 3 none	5
5 education and 2 none	6
6 education and 1 none	7
7 education in all categories	8

Table 6.18.1 depicts an eight-point scale that was used to process the responses received from the SMMTE respondents, the results are shown in Table 6.18.2.

**Table 6.18.2: Management education**

Category	Absolute frequencies (n)	Relative frequencies (%)
1 (no education)	31	18.67
2	30	18.07
3	29	17.47
4	20	12.05
5	18	10.84
6	18	10.84
7	14	8.43
8 (education in all the categories)	6	3.61

The results indicate that 18.67 percent entrepreneurs have no formal management education with only 3.61 percent having received management education in all seven management functional categories. The research indicates that the largest proportion (18.07%) of respondents had received formal management education in two functional categories.

#### 6.2.3.3 The incidence of prior-experience in the management fields

SMMTE owners, according to Maas (1996: 98), need to have some form of prior-business knowledge in the light of such owners having direct interests and involvement in their business. In regard to prior-management experience, five management functional categories were presented to the SMMTE respondents for consideration. The said categories and the results thereof are depicted in Table 6.19.

**Table 6.19: Prior-experience in management fields of the SMMTE sample**

	Absolute frequency		Relative frequency	
	No experience	Experience	No experience (%)	Experience (%)
Financial management	52	92	36.1	63.9
Marketing management	53	72	42.4	57.6
Humans Resource management	62	63	49.6	50.4
Strategic management	62	57	52.1	47.9
General management	29	120	19.5	80.5

The results, depicted in Table 6.19, indicate that the majority of SMMTE decision-makers have some degree of prior-management experience, namely, in financial management (63.9%), marketing management (57.6%), human resource management (50.4%), and general management (80.5%). The study notes that 52.1 percent of SMMTE decision-makers have no prior-experience in strategic management. Prior-management experience, to some extent, could compensate for the relative lack in formal management education (ref. Table 6.18).

**Table 6.19.1: Prior-management experience scale (ref. Table 5.3.2)**

Combinations	Scale
No prior experience	1
1 prior experience and 4 none	2
2 prior experience and 3 none	3
3 prior experience and 2 none	4
4 prior experience and 1 none	5
5 prior experience in all categories	6

Table 6.19.1 depicts a six-point scale that was used to process the responses received from the SMMTE respondents, and the results thereof are shown in Table 6.19.2.

**Table 6.19.2: Prior-experience in management**

Category	Absolute frequencies	Relative frequencies (%)
1 (no prior-experience)	30	18.07
2	27	16.27
3	31	18.67
4	26	15.66
5	25	15.06
6 (prior-experience in all the categories)	27	16.27

The results indicate that 18.07 percent of SMMTE entrepreneurs have no prior- management experience with only 16.27 percent having prior management experience in all five management functional categories. The research further indicates that the largest proportion (18.67%) of respondents had prior-management experience in three functional categories.

Fairlie and Robb (2005: 15) suggest that the type of work-experience often provides opportunities for acquiring job or industry specific business human capital, in addition to more

general business human capital, and is especially important for the success of SMMEs. Fairlie and Robb (2005: 23) further note that “having a self-employed family member has no effect on business outcomes, but prior work experience in family business has large effects on business outcomes for both men and women”. Furthermore, prior work experience in similar businesses improves outcomes for both genders, whereas unrelated prior management experience has inconsistent effects. When compared with the findings that refer to formal education, as depicted in Table 6.18, the findings suggest that almost two-thirds (65.5%) of respondents do not have a tourism business studies/management educational qualification. This would suggest, in the light of the relative lack of relevant prior-work experience findings in this section, that further research needs to be conducted concerning relevant tourism business education, relevant tourism business prior-work experience and the outcomes impact of this on SMMTEs of which the majority (57.6%) of SMMTEs are also family-owned businesses (ref. Section 6.2.2.4).

#### 6.2.3.4 The incidence of practical/ technical experience relevant to the workplace

The literature, as discussed in Section 5.7.5.3, indicates that SMMTE decision-makers need to have the appropriate management and technical competence in order to operate their businesses successfully.

**Table 6.20: Technical competence of SMMTE owners**

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	128	76.2	78.5	78.5
No	35	20.8	21.5	100.0
<b>Total</b>	<b>163</b>	<b>97.0</b>	<b>100.0</b>	
No response	5	3.0		
<b>Total</b>	<b>168</b>	<b>100.0</b>		

The results of this research are depicted in Table 6.20. The research suggests that just over three-quarters (78.5%) of the respondents indicated that they have the appropriate technical competence required for the operation of their businesses.

#### 6.2.3.5 The entrepreneurial value system and motivation to start own businesses

The entrepreneurial value system and motivations of the SMMTE decision-makers, according to the literature, findings in Section 5.7.4.4, can be associated with the need for growth and development. A set of questions were posed to the respondents concerning the entrepreneurial values and motivations of the SMMTE decision-makers as to why they started their own business. Three of the six questions presented, probed their entrepreneurial view; the other three probed the non-entrepreneurial (or small business) view of the respondents. The questions that refer to the entrepreneurial view are questions 2, 3 and 5. Table 6.21 depicts the results to these questions.

**Table 6.21: entrepreneurial value system and motivations to start own SMMTEs**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	(%)	n	(%)	n	(%)	n	(%)	n	(%)
20.1	A need for me to create my own employment.	14	8.9	5	3.2	3	1.9	23	14.6	113	71.5
20.2	A desire to make a real contribution toward economic growth and development.	14	9	8	5.2	21	13.5	40	25.8	72	46.5
20.3	A need to prove to others and myself that I can be successful.	27	17.3	9	5.8	10	6.4	40	25.6	72	44.9
20.4	To strive for a good standard of living for my family and myself.	6	3.8	3	1.9	2	1.3	21	13.2	127	79.9
20.5	A need to create unique ideas.	9	5.9	6	3.9	18	11.8	43	28.3	76	50
20.6	A need to improve my financial situation.	7	4.4	2	1.3	2	1.3	29	18.4	118	74.7

The value systems and motivations of SMMTE owners, according to Maas (1996: 128-9), are focussed in growth and development imperatives, which can be realised, amongst other through setting high standards as well being creativity. A number of questions were posed to determine the value and motivations of the SMMTE owners. Three of the six questions, namely 20.2, 20.3 and 20.5, had an entrepreneurial orientation. The frequencies are depicted in Table 6.21.



In order to determine the importance of each question item, further forced choice questions were posed to the respondents whereby the six questions, presented in Table 6.21, had to be ranked from first to third most important. The absolute and relative frequency results are depicted in Table 6.21.1.

**Table 6.21.1: Entrepreneurial value system and motivations to start own SMMTEs**

		Ranking 1		Ranking 2		Ranking 3	
		n	%	n	%	n	%
20.1	A need for me to create my own employment	50	31.1	24	14.9	19	12
20.2	A desire to make a real contribution toward economic growth and development	17	10.6	22	13.7	16	10.1
20.3	A need to prove to others and myself that I can be successful	7	4.3	14	8.7	31	19.6
20.4	To strive for a good standard of living for my family and myself	51	31.7	46	28.6	20	12.7
20.5	A need to create unique ideas	13	8.1	16	9.9	22	13.9
20.6	A need to improve my financial situation	23	14.3	39	24.2	50	31.6

The results in Table 6.21.1 indicate that the most important reason provided by the SMMTE owners (within **Ranking 1**) was to strive for a good standard of living for their family and themselves (31.7%). A need for the SMMTE owners to create their own employment was considered the second most important reason (31.1%) for starting their own businesses (within Ranking 1).

In regard to **Ranking 2**, the SMMTE owners' desire to strive for a good standard of living for their family and themselves (28.6%) was once again ranked as the highest.

In regard to the third most important reason (**Ranking 3**), the need to improve their financial situation was considered as the most important reason (31.6%) provided for starting their own businesses in this ranking category.

**Table 6.21.2: Entrepreneurial attitude of SMMTE owners (ref. Table 5.3.3)**

Combinations	Scale
No entrepreneurial reasons	1
1 entrepreneurial reason	2
2 entrepreneurial reasons	3
3 entrepreneurial reasons	4

Table 6.21.2 depicts a four-point scale that was used to process the responses received from the SMMTE respondents, the results thereof are shown in Table 6.21.3.

**Table 6.21.3: Combined index for entrepreneurial value systems and motivation**

Category	Absolute frequencies (n)	Relative frequencies (%)
1 (no entrepreneurial reasons)	20	12.20
2	28	17.07
3	38	23.17
4 (three entrepreneurial reasons)	78	47.56

Table 6.21.3 clearly indicates that the majority (47.56%) SMMTE owners indicated three entrepreneurial reasons for starting their businesses. It is further noted that 12.2 percent of SMMTE respondents indicated no entrepreneurial reasons for starting their businesses. Consequently from this aspect of the study it can be deduced that the most SMMTE respondents are entrepreneurially orientated.

### 6.2.3.6 The risk propensity profiles of SMMTE owners

SMMTE owners, according to Section 5.7.4.5, who utilise business opportunities presented to their businesses, can be considered as calculated risk-seekers. Various statements were presented in the questionnaire in this regard; the results are depicted in Table 6.22. The statements that refer to entrepreneurial risk-seeking behaviour are considered to be question 22.3 only; all other statements refer to risk-avoidance behaviour.

**Table 6.22: Business owners are confronted with decisions that influence the business of the SMMTE sample (risk profiles)**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		1		2		3		4		5	
		n	%	n	%	n	%	n	%	n	%
22.1	The avoidance of risk that may threaten the sustainability of the business	5	3.1	10	6.1	9	5.5	48	29.4	91	55.8
22.2	The maintenance of existing rules and regulations of the business	4	2.5	16	10	18	11.3	59	36.9	63	39.4
22.3	The need to operate a fast growing business	7	4.3	16	9.9	20	12.4	61	37.9	57	35.4
22.4	Assurances that possible expansion will not threaten my position within the business	28	17.7	23	14.6	14	8.9	37	23.4	56	34.5

In order to gain a holistic picture of the total risk profile of the respondents, a three-category forced ranking response question was asked; the SMMTE respondents were required to rank the statements which were the most important to them. The results hereof are depicted in Table 6.22.1.

**Table 6.22.1: Rating the three most important reasons for risk profiling**

		Ranking 1		Ranking 2		Ranking 3	
		n	%	n	%	n	%
22.1	The avoidance of risk that may threaten the sustainability of the business	88	56.4	20	13.6	26	18.4
22.2	The maintenance of existing rules and regulations of the business	16	10.3	59	40.1	32	22.7
22.3	The need to operate a fast growing business	29	18.6	38	25.9	45	31.9
22.4	Assurances that possible expansion will not threaten my position within the business	21	13.5	30	20.4	37	26.2
22.5	The avoidance of risk that may threaten the sustainability of the business	2	1.3	-	-	-	-
22.6	The maintenance of existing rules and regulations of the business	-	-	-	-	1	0.7

The majority (56.4%) of the respondents indicated that they avoided risk in making the decisions concerning their business. The second-most important reason (40.1%) was the maintenance of existing rules and regulations of the business. The entrepreneurial reason (risk seeking reason), namely the need to operate a fast growing business, was ranked into third place (31.9%).

**Table 6.22.2: Two-point scale for risk profiling the SMMTE owners**

Combinations	Scale
All risk-avoidance reasons only	1
1 risk-seeking, 3 risk avoidance reasons	2

Table 6.22.2 depicts a two-point scale that was used to process the responses received from the SMMTE respondents, the results thereof are shown in Table 6.22.3. The calculations thereof included the responses rated as “slightly agree” and “completely agree” only.

**Table 6.22.3: Combined index for risk profiling the SMMTE owners**

Category	Absolute frequencies (n)	Relative frequencies (%)
1 (All risk-avoidance reasons)	354	75
2 (1 risk-seeking reason only)	118	25

Overall, it can be deduced from the study that the majority of SMMTE owners indicated a tendency toward risk-aversion with three-quarters (75%) of respondents supporting risk-avoidance reasons, and consequently, this aspect indicates a non-entrepreneurial profile for the SMMTE owners.

In Experimental Studies on Entrepreneurial Decision Making it was found that entrepreneurs are more overconfident and fall prey to the representativeness bias more often than managers. Palich and Bagby (2000: 426-34), compare how entrepreneurs and non-entrepreneurs perceive strengths and weaknesses of business opportunities. It was found that entrepreneurs categorised equivocal business scenarios significantly more positively than non-entrepreneurs. Entrepreneurs are considered to view some situations as opportunities (optimistic) whilst non-entrepreneurs may view these as having little potential (pessimistic). It is further found that subjects have difficulties distinguishing between their decisions in different scenarios or that the decisions are not independent. Overall, entrepreneurs may not necessarily prefer to engage in more risky behaviour, instead their behaviour may be more the result of framing a given situation more positively and thus managing the risk through accessing information resources or networks and making more informed decisions. Whilst, in contrast, non-entrepreneurs are more cautious and less predisposed to risk.

The aforementioned finding need to be contextualised in the light of the age distribution of the SMMTE sample (ref. Table 6.2) which suggests that SMMTE owners are older than the trend evidenced in general entrepreneurial profiling studies, such as GEM 2008, and may reflect a trend towards lifestyle choices such as early- or semi-retirement and subsequent self-employment. Furthermore, this study suggests that such SMMTEs are *established SMMTEs*

which have been operating for more 42 months (ref. Table 6.7), that the prior-work experience and education findings are mostly non-tourism business related; and the majority (57.6%) SMMTEs are family-owned businesses (ref. Section 6.2.2.4). This has implication on the quality of (strategic and other) intelligence such owners gather of the tourism market, the quality of networks that they can access, and the consequent conservative assessment of business opportunities and risks by such owners.

#### 6.2.3.7 Holistic capabilities of SMMTE owners

An SMMTE decision-maker should have the capability to conceptualise (namely, has an overall, or holistic, view of the business), as indicated in paragraph 5.7.4.6, in order to be able to realise synergistic value and growth for the business. It is indicated by Maas (1996: 101) that business projects which the SMMTE, to date, may not have identified, could then be identified for inclusion within their current SMMTE. Question items: 24.2, 24.4 and 24.6 probed the holistic (and thus entrepreneurial) approach of the SMMTE owner. The other questions refer to an internal (or non-entrepreneurial) inclination of the SMMTE owner. The results are depicted in Table 6.23.

**Table 6.23: Holistic capabilities of the SMMTE business owners**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%		%	n	%	n	%	n	%
		1		2		3		4		5	
24.1	The achievement of high gross profit margins	4	2.5	8	5	6	3.8	50	31.4	91	57.2
24.2	The need to strive to be up-to-date with social and economic trends	3	1.9	8	5	17	10.7	61	38.4	70	44
24.3	Strict control of the quality of products/ services	-	-	-	-	-	-	12	7.5	149	92.5
24.4	Integration into the community's organised trade activities	7	4.4	10	6.3	26	16.4	61	38.4	55	34.6
24.5	Strict control of business expenditures	-	-	1	0.6	1	0.6	13	8.1	146	90.7
24.6	To be up-to-date with the activities of their competition	2	1.3	1	0.6	6	3.8	41	25.8	109	68.6

In order for this study to determine which aspects could be considered the most important, forced choice questions were posed to the respondents whereby the respondents were asked to indicate which three aspects of Questions 24 were the most important to them. The results are indicated in Table 6.23.

**Table 6.23.1: Rating the three most important reasons (Holistic capabilities)**

		Ranking 1		Ranking 2		Ranking 3	
		n	%	n	%	n	%
24.1	The achievement of high gross profit margins	44	27.8	22	13.9	26	16.8
24.2	The need to strive to be up-to-date with social and economic trends	6	3.8	11	7	16	10.3
24.3	Strict control of the quality of products/ services	71	45.5	44	27.8	15	9.7
24.4	Integration into the community's organised trade activities	4	2.5	8	5	12	7.7
24.5	Strict control of business expenditures	26	16.5	57	36.1	33	21.3
24.6	To be up-to-date with the activities of their competition	6	3.8	16	10	53	44.1

The quality of products and services was indicated as the most important (45.5%); the second most important issue (36.1%) was the strict control of business expenditures. The results seem to suggest that the SMMTE decision-makers do not consider holistic capabilities (or entrepreneurial reasons) as important for the running of their businesses. The first Holistic (an entrepreneurial reason) was ranked only third (44.1%), namely the need to be up-to-date with the activities of their competitors in the tourism industry.

Consequently, in order to test the holistic of the SMMTE respondents, all the responses were transformed into a four-point scale as follows: 1 represented where only internal reasons were indicated; 2 represented where only one external reason was indicated; 3 represented where only two external reasons were indicated; and 4 represented where only three external reasons were indicated. Accordingly, the respondents could then be classified according to their internal or external holistic capabilities (Maas, 1996: 101). The said scale is depicted in Table 6.23.2.



**Table 6.23.2: Holistic capabilities (ref. Table 5.3.4)**

Combinations	Scale
3 internal reasons	1
2 internal and 1 external	2
1 internal and 2 external	3
3 external reasons	4

The results of applying the four-point scale (Table 6.23.2) are shown in Table 6.23.3. Accordingly, the respondents can now be classified according to their internal or external approach to doing business.

**Table 6.23.3: Combined index for holistic capabilities**

Category	Absolute frequencies (n)	Relative frequencies (%)
1 (only internal approaches)	141	87.04
2	19	11.73
3	2	1.23
4 (only external approaches)	0	0.00

It can be deduced from Table 6.23.3 that an internal approach is dominant within SMMTEs because 87.04 percent of the respondents did not support any external reasons and 11.73 percent only supported only one external reason. None (0%) supported all four external reasons.

#### **6.2.4 Strategic behaviour at organisational and individual level**

The construct underlying each dimension of strategic behaviour is summarised in Table 6.24 and was discussed in Section 5.7.5. These constructs were utilised as the basis for producing items about strategic behaviour for the questionnaire.

**Table 6.24: Constructs of strategic behaviour (or refer to Table 5.4)**

<b>Organisational strategic behaviour:</b> the degree to which an organisation's internal environment (complexity and volatility) and conditions (internal power structure, past and present strategies) permit strategic decisions amongst the internal and external stakeholders.
<b>Individual level strategic behaviour:</b> the extent to which an individual is able to acquire, understand, disseminate and react to relevant information concerning the SMMTE as a strategic learning competency

**Table 6.25: Conceptual framework for strategic behaviour with its dimensions and respective question items numbers (ref. Table 5.5)**

Dimension (Concept)	Dimension elements	These items explain this dimension (refer to questionnaire)	
Strategic behaviour	Organisational level	Question 26	26.1, 26.2, 26.3, 26.4, 26.5, 26.10, 26.11, 26.14, 26.15, 26.17, 26.19, 26.22, 26.23, 26.24, 26.25, 26.26, 26.27, 26.28, 26.29, 26.30, 26.33, 26.34, 26.37, 26.38, 26.39, 26.41, 26.42, 26.44, 26.45, 26.46
			26.6, 26.7, 26.8, 26.9, 26.12, 26.13, 26.16, 26.18, 26.20, 26.21, 26.31, 26.32, 26.35, 26.36, 26.40, 26.43
	Individual level	Question 27	27.1, 27.4, 27.5, 27.6, 27.8, 27.9, 27.11, 27.12, 27.13, 27.17, 27.18, 27.19, 27.20, 27.21, 27.22, 27.23, 27.24, 27.25, 27.26, 27.27, 27.28, 27.29, 27.30, 27.31
			27.2, 27.14, 27.15
			27.3, 27.7, 27.10, 27.16

This section is primarily concerned with the co-producers of strategic behaviour of SMMTEs. The discussion will follow the same pattern as set out in the questionnaire. Refer to Appendix 3 Section C and D, Questions 26 and 27 of the questionnaire, respectively.

#### 6.2.4.1 Organisational level activities associated with strategic behaviour

This section is primarily concerned with the various organisational activities associated with the strategic behaviour of SMMTEs (ref. Chapter 4- (Section 4.3.1)). Various question items are included in the questionnaire in this regard. The respondents were requested to indicate how important they determine each statement to be. The research results for this section (6.2.4.1) are depicted in two tables (Tables 6.26 and 6.27), for ease of reference. The more statistically notable research findings are discussed under each table.

**Table 6.26: Organisational level activities associated with fostering strategic dialogue**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.1	Long-term (5 years or more) “planning” within the business takes place according to predetermined decision-making structures	12	7.4	26	16	19	11.7	57	35	49	30.1
	The long-term direction (5 years or more) of the business is determined through on-going dialogue with the long-term partners (or owners) of the business	8	5.0	10	6.2	23	14.3	47	29.2	73	45.3
26.3	The owners of the business seek to achieve competitive advantage for the business	2	1.2	6	3.7	5	3.1	46	28.6	102	63.4

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.4	Decisions affecting the long-term future (5 years or more) of the business take all business activities into account	2	1.3	3	1.9	9	5.6	46	28.8	100	62.5
26.5	The business's long-term (5 years or more) activities are not matched with the business's environment	52	32.3	27	16.8	36	22.4	33	20.5	13	8.1
26.10	Relevant internal and external information sources are used to draw up long-term plans for the business	7	4.3	8	4.9	12	7.4	57	35.2	78	48.1
26.11	Employees are not informed about the long-term plans of the business	52	32.1	45	27.8	10	6.2	35	21.6	20	12.3
26.14	Customer information is used to plan to improve business performance on the long-term	2	1.2	4	2.5	4	2.5	43	26.4	110	67.5
26.15	Our markets are not monitored regularly	61	37.9	31	19.3	12	7.5	31	19.3	26	16.1
26.17	We regularly benchmark our performance against the best businesses in the sector	12	7.5	18	11.2	14	8.7	61	37.9	56	34.8

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.19	We have formal mechanisms in place to determine a deep understanding of our customers and markets	13	8.1	19	11.8	26	16.1	49	30.4	54	33.5
26.22	Our competitive actions are based on understanding our customers' needs	1	.6	4	2.5	3	1.9	42	25.9	112	69.1
26.23	The owners of this business seldom discuss competitors' strategies	59	37.3	40	25.3	13	8.2	30	19.0	16	10.1
26.24	Most "sections" of the business get along well with each other in this organisation	3	1.9	6	3.7	10	6.2	61	37.9	81	50.3
26.25	Information is shared among "departments" in this business	5	3.1	7	4.3	18	11.1	51	31.5	81	50.0
26.26	In this business little action can be taken until the owner approves it	21	13.0	29	17.9	8	4.9	53	32.7	51	31.5
26.27	For the future good of the business there is a need to develop good relationships inside the business	3	1.8	9	5.5	6	3.7	26	16.0	119	73.0

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.28	For the future good of the business there is a need to develop good relationships outside the business	2	1.2	3	1.8	3	1.8	21	12.7	137	82.5
26.29	The future of our business depends on developing the business as a whole	1	.6	4	2.4	2	1.2	22	13.3	136	82.4
26.30	A strong emphasis on the marketing of tried and tested products or services	2	1.3	4	2.5	6	3.8	45	28.1	103	64.4
26.33	In general, the owners of the business have a strong inclination for low risk projects (with normal and certain rates of return)	9	5.6	21	13.1	22	13.8	60	37.5	48	30.0
26.34	When confronted with decision-making situations my business typically adopts a bold and aggressive attitude	12	7.5	17	10.6	19	11.8	57	35.4	56	34.8
26.37	We routinely gather opinions from our clients	5	3.1	9	5.6	8	4.9	51	31.5	89	54.9

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.38	We explicitly track the tactics of our competitors	13	8.0	24	14.7	21	12.9	62	38.0	43	26.4
26.39	We have a comprehensive information system to gather information about the performance of our business	11	6.8	21	13.0	10	6.2	47	29.0	73	45.1
26.41	We use staff specialists to investigate and write reports on major decisions as a decision-making technique	47	29.2	38	23.6	36	22.4	24	14.9	16	9.9
26.42	The speed with which we make important business decisions varies because of time pressures	16	9.9	25	15.4	13	8.0	63	38.9	45	27.8
26.44	The emphasis is on the immediate future when making management decisions	13	8.1	27	16.8	11	6.8	68	42.2	42	26.1
26.45	The most important operational processes in the business are carefully documented	6	3.7	17	10.5	18	11.1	43	26.5	78	48.1
26.46	We want the business to develop in carefully planned steps	2	1.2	11	6.7	15	9.1	59	36.0	77	47.0

The findings for Table 6.26 associated with fostering strategic dialogue are discussed hereunder in three categories: most notable, second most notable and third most notable.

The most notable category of research findings (absolute frequencies of 100 and more for completely agreeing, or, the reverse in the case of negative statements) found the following: SMMTE owners seek to achieve a competitive advantage for their business (question 26.3) with 63.4 percent completely agreeing with this statement. Decisions affecting the long-term future of the business take into account all associated business activities (question 26.4) with 62.5 percent completely agreeing with this statement. Customer information is used to plan to improve business performance in the long term (question 26.14) with 67.5 percent completely agreeing with this statement. The competitive actions of the SMMTEs are based on understanding the needs of their customers (question 26.22) with 69.1 percent completely agreeing with this statement. The respondents indicated that for the future good of the business there is need to develop good relationships outside the business (question 26.28) resulting in 82.5 percent completely agreeing with this statement. The respondents further indicated that the future of their business depended on developing the business as a whole (question 26.29) which showed that 82.4 percent completely agreed with this statement.

The second most notable category of research findings (absolute frequencies of between 50 and 99 for completely agreeing, or, the reverse in the case of negative statements) found the following: the long-term direction of the business is determined through on-going dialogue with the long-term partners of the business (question 26.2) with 45.3 percent completely agreeing with this statement. The business's long-term activities are not matched with the business's environment (question 26.5) resulted in 32.3 percent of respondents completely disagreeing with this statement. Relevant internal and external information sources are used to draw up long-term plans for the business (question 26.10) with 48.1 percent completely agreeing with this statement. Employees are not informed about the long-term plans of the business (question 26.11) resulted in 59.9 percent of respondents completely to slightly disagreeing with this statement. The markets are not regularly monitored statement (question 26.15) indicated that 37.9 percent of respondents completely disagreed with this statement. In regard to regularly benchmarking the business against the best performances in the sector (question 26.17), 72.7 percent completely to slightly agreed with this statement. In the case of the business having



formal mechanisms in place to determine a deep understanding of their customers needs (question 26.19), 33.5 percent completely agreed with this statement. In the case of the owners of the businesses seldom discussing the competitors' strategies (question 26.23) resulted in 37.3 percent of respondents completely disagreeing with this statement. Most sections of the business got along well with one another (question 26.24) resulted 50.3 percent completely agreeing with this statement. It would seem that information is shared amongst the sections of the business (question 26.25), with 50 percent of respondents completely agreeing with this statement. Few business decisions can be taken until the owner approves such action (question 26.26), resulted in 64.2 percent completely to slightly agreeing with this statement. The structure of the long-term planning process is flexible and allows intuitive input from the people in the business (question 26.26), resulted in 64.2 percent completely to slightly agreeing with this statement. When confronted with decision-making situations the business owner typically adopts a bold and aggressive attitude (question 26.34), resulted in 70.2 percent completely to slightly agreeing with this statement. The businesses routinely gather opinions from their clients (question 26.37), resulted in 86.4 percent completely to slightly agreeing with this statement. SMMTE have a comprehensive information system to gather information about the performance of their business (question 26.39), resulted in 45.1 percent completely agreeing with this statement. The most important operational processes in the business are carefully documented (question 26.45), resulted in 48.1 percent completely agreeing with this statement. SMMEs develop in carefully planned steps (question 26.46), resulted in 83 percent completely to slightly agreeing with this statement.

The third most notable category of research findings (absolute frequencies of 49 and less for completely agreeing, or, the reverse in the case of negative statements) found the following: the respondents view long-term planning within the business taking place according to predetermined structures (question 26.1), resulted in 65.1 percent completely to slightly agreeing with this statement. In the case of using specialist staff to investigate and write reports on major decisions as a decision-making technique (question 26.41), 29.2 percent completely to slightly disagreed with this statement. The speed with which important business decisions are made varied because of time pressures (question 26.42), resulting in 66.7 percent completely to slightly agreeing with this statement. There is an emphasis on the immediate

future when making business decisions (question 26.1), resulting in 48.1 percent of respondents completely agreeing with this statement.

**Table 6.27: Organisational level activities associated with exploiting ingenuity**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.6	All efforts are made to “stretch” the business’s resources	14	8.7	19	11.8	17	10.6	58	36.0	53	32.9
26.7	Where inter-personal rivalry occurs in the business, little is done to manage it	90	55.9	30	18.6	11	6.8	13	8.1	17	10.6
26.8	The budget (time and money) makes provision for employees to experiment with new business ideas	17	10.4	14	8.6	17	10.4	78	47.9	37	22.7
26.9	People involved in the business are not provided opportunities to learn from their mistakes	83	51.2	45	27.8	6	3.7	16	9.9	12	7.4
26.12	Key employees are identified to accomplish the long-term objectives of the business	8	4.9	6	3.7	10	6.2	60	37.0	78	48.1

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.13	There is little sharing of lessons about market behaviour between the various "sections" of the business	52	32.5	41	25.6	22	13.8	28	17.5	17	10.6
26.16	Our customer contact employees do not feed market information to the owners of the business	55	34.8	42	26.6	15	9.5	34	21.5	12	7.6
26.18	We undertake regular post-audits of unsuccessful business projects	18	11.3	11	6.9	26	16.3	65	40.6	40	25.0
26.20	The behaviour of our people is the result of their desire to learn more about our customers and markets	3	1.9	15	9.4	25	15.6	62	38.8	55	34.4
26.21	We respond rapidly to competitive actions	4	2.5	15	9.3	9	5.6	54	33.3	80	49.4
26.31	The long-term planning (5 years or more) process mainly involves employees within the business	16	9.9	27	16.8	21	13.0	47	29.2	50	31.1

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
6.32	The structure of the long-term (5 years or more) planning process is flexible and allows intuitive input from the people in the business	6	3.7	10	6.2	13	8.0	64	39.5	69	42.6
26.33	In general, the owners of the business have a strong inclination for low risk projects (with normal and certain rates of return)	9	5.6	21	13.1	22	13.8	60	37.5	48	30.0
26.35	The business owner should be able to generate creative ideas on how to develop the business			4	2.4	1	.6	45	27.3	115	69.7
26.36	The business owner should be able to excite other members of the business in turning business ideas into competitive advantages for the business	1	0.6	2	1.2	5	3.1	29	17.9	125	77.2

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
26.40	Periodic brainstorming by the members of the business is used as a decision-making technique for novel solutions to problems	9	5.0	11	6.8	15	9.3	59	36.4	68	42.0
26.43	Decisions aimed at the resolution of crises are most common	22	13.6	30	18.5	17	10.5	59	36.4	34	21.07

The more significant findings for Table 6.27 associated with exploiting ingenuity are discussed hereunder in three categories.

The most notable category of research findings (absolute frequencies of 100 and more for completely agreeing, or, the reverse in the case of negative statements) found the following: The business owners should be able to generate creative ideas on how to develop the business (question 26.35), resulted in 69.7 percent completely agreeing with this statement. The business owners should be able to excite other members of the business in turning business ideas into competitive advantages for the business (question 26.36), resulted in 77.2 percent completely agreeing with this statement.

The second most notable category of research findings (absolute frequencies of between 50 and 99 for completely agreeing, or, the reverse in the case of negative statements) found the following: People involved in the business are not provided opportunities to learn from their

mistakes (question 26.9), resulted in 51.2 percent of respondents completely disagreeing with this statement. There is little sharing of lessons about market behaviour between the various sections of the business (question 26.13), resulted in 32.5 percent of respondents completely disagreeing with this statement. Customer contact did not feed market information to the owners of the business (question 26.16), resulted in 34.8 percent of respondents completely disagreeing with this statement. Key employees are identified to accomplish the long-term objectives of the business (question 26.12), resulted in 85.1 percent completely to slightly agreeing with this statement. The behaviour of the people in the business is the result of their desire to learn more about their customers and their markets (question 26.20), resulted in 73.2 percent completely to slightly agreeing with this statement. There are rapid responses to competitive actions (question 26.21), resulted in 49.4 percent completely agreeing with this statement. The long-term planning process mainly involved employees within the business (question 26.31), resulted in 60.3 percent completely to slightly agreeing with this statement. In general, the owners of the business have a strong inclination for low risk projects (question 26.33), resulted in 67.5 percent completely to slightly agreeing with this statement. Periodic brainstorming by the members of the business is used as a decision- making technique for novel solutions to problems (question 26.40), resulted in 78.4 percent completely to slightly agreeing with this statement.

The third most notable category of research findings (absolute frequencies of 49 and less for completely agreeing, or, the reverse in the case of negative statements) found the following: The budget makes provision for employees to experiment with new business ideas (question 26.8), resulted in 47.9 percent of respondents slightly agreeing with this statement. Staff involved in the business are not provided with opportunities to learn from their mistakes (question 26.9), resulted in 51.2 percent completely disagreeing with this statement. The owners regularly undertake post-audits of unsuccessful business projects (question 26.18), resulting in 65.9 percent completely to slightly agreeing with this statement. Decisions aimed at the resolutions of crises are most common (question 26.43), resulted in 36.4 percent slightly agreeing with this statement.

#### 6.2.4.2 Individual level activities associated with the strategic behaviour

SMMTE owners are required to show a holistic understanding, be creative and have a vision of the SMMTE's future in order to ensure the sustainability of the venture. Refer to Figure 4.3 (see Chapter 4) in this regard. Various question items were included in the questionnaire in this regard. The aim of the questions was to determine, according to the perception of the SMMTE owner, which behaviours are utilised and what impact these had on the venture.

The research descriptive results for this section (6.2.4.2) are depicted in three tables (Tables 6.28, 6.29 and 6.30) for ease of reference. The more notable research findings are discussed under each table.

**Table 6.28: Individual level activities associated with holistic understanding**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
27.1	I see no need to understand the business within the broader business environment	117	71.3	29	17.7	4	2.4	6	3.7	8	4.9
27.4	I am of the opinion that being in the right place, at the right time is an important strategic action of the business	15	9.1	14	8.5	16	9.7	63	38.2	57	34.5
27.5	I believe that there are no "untouchable issues" when the long-term planning (5 years or more) is taking place	18	11.0	13	7.9	16	9.8	51	31.1	66	40.2
27.6	I ensure that strategy is continually improved and reviewed	3	1.9	5	3.1	10	6.2	62	38.3	82	50.6

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
27.8	I believe that we should consider the past when we plan the future of the business	9	5.5	6	3.7	6	3.7	59	36.0	84	51.2
27.9	I talk to those I lead about my most important values and beliefs	9	5.6	10	6.2	11	6.8	47	29.0	85	52.5
27.11	I emphasise the value of questioning assumptions	3	1.8	5	3.1	6	3.7	50	30.7	99	60.7
27.12	I seek differing perspectives when solving problems	1	0.6	3	1.8	2	1.2	53	32.5	104	63.8
27.13	I look at problems from many different angles					3	1.8	49	29.9	112	68.3
27.17	I have formal processes for continually collecting information from the market	19	11.7	24	14.7	22	13.5	54	33.1	44	27.0
27.18	I often talk to those who can influence my end-user's purchase e.g. retailers, distributors	9	5.6	11	6.8	15	9.3	57	35.2	70	43.2
27.19	I do not have an up-to-date customer database	75	46.3	36	22.2	6	3.7	23	14.2	22	13.6



		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
27.20	I am constantly aware of what changes in market conditions mean for our customer's requirements	7	4.3	8	4.9	11	6.7	63	38.4	75	45.7
27.21	I freely communicate information about our customers throughout my business	17	10.6	14	8.7	13	8.1	53	32.9	64	39.8
27.22	I very rarely have "inter-departmental" meetings to discuss market trends	64	39.3	33	20.2	22	13.5	25	15.3	19	11.7
27.23	I seldom circulate documents that provide information on our markets	55	34.2	44	27.3	12	7.5	22	13.7	28	17.4
27.24	I have formal processes for sharing information throughout the business	13	8.1	18	11.2	16	9.9	61	37.9	53	32.9
27.25	I do not regularly monitor our customers	86	53.4	38	23.6	6	3.7	14	8.7	17	10.6
27.26	I do not regularly analyse customer complaints	116	71.6	29	17.9	1	.6	7	4.3	9	5.6

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		n	%	n	%	n	%	n	%	n	%
		1		2		3		4		5	
27.27	I let the entire business know, in a short period, when something important happens to a competitor	10	6.3	13	8.2	20	12.6	47	29.6	69	43.3
27.28	I immediately resolve customer complaints in the business	1	0.6	5	3	1	0.6	25	15.2	133	80.6
27.29	I do not always implement marketing plans effectively	39	24.7	34	21.5	15	9.5	63	39.9	7	4.4
27.30	My decisions are generally not based on a comprehensive knowledge of our market	75	46.3	43	26.5	10	6.2	26	16.0	8	4.9
27.31	My business takes a long time to respond to changes in customer's needs	75	46.0	45	27.6	14	8.6	17	10.4	12	7.4

The more significant findings for Table 6.28 associated with holistic understanding are discussed hereafter in three categories: most notable, second most notable and third most notable.

The most notable category of research findings (absolute frequencies of 100 and more for completely agreeing, or, the reverse in the case of negative statements) found the following: The need not to understand the business within the broader business environment (question 27.1), resulted in 77.2 percent completely disagreeing with this statement. SMMTE owners

seek differing perspectives when solving problems (question 27.12), resulted in 63.8 percent completely agreeing with this statement. SMMTE owners look at problems from many different angles (question 27.13), resulted in 68.3 percent completely agreeing with this statement. Owners who regularly analyse customer complaints (question 27.26) resulted in 71.6 percent completely disagreeing with this statement. Business owners immediately resolve customer complaints in the business (question 27.28), resulting in 80.6 percent completely agreeing with this statement.

The second most notable category of research findings (absolute frequencies of between 50 and 99 for completely agreeing, or, the reverse in the case of negative statements) found the following:

SMMTE owners are of the opinion that being in the right place at the right time is an important strategic action of the business (question 27.4), with 72.7 percent completely to slightly agreeing with this statement. Owners believe that there is no untouchable issues when long-term planning is taking place (question 27.5), resulted in 71.3 percent completely to slightly agreeing with this statement. Owners ensure that the strategy is continually improved and reviewed (question 27.6), resulted in 50.6 percent completely agreeing with this statement. Owners who believe that they should consider the past when they plan for the future of the business (question 27.8), resulted in 51.2 percent completely agreeing with this statement. The owners talk with those they lead about their most important values and beliefs (question 27.9), resulted in 52.5 percent completely agreeing with this statement. Owners emphasise the value of questioning assumptions (question 27.11), resulted in 60.7 percent completely agreeing with this statement. Owners often talk with those who can influence their end-users' purchase patterns (question 27.18), resulted in 43.2 percent completely agreeing with this statement. Owners are constantly aware of what changes are taking place in the market conditions for their customer's requirements (question 27.20), resulted in 84.1 percent completely to slightly agreeing with this statement. Owners freely communicate information about their customers throughout their businesses (question 27.21), resulted in 72.7 percent completely to slightly agreeing with this statement. Owners who rarely have interdepartmental meetings to discuss market trends (question 27.22), resulted in 39.3 percent completely disagreeing with this statement. Owners who seldom circulate documents that provide information about their

markets (question 27.23), resulted in 34.2 percent completely disagreeing with this statement. Owners who have formal processes for sharing information throughout the business (question 27.24), resulted in 70.8 percent completely to slightly agreeing with this statement. Owners who do not regularly monitor their customers (question 27.25) resulted in 53.4 percent completely disagreeing with this statement. Owners who let their entire business know, in a short period, when something important happens to a competitor (question 27.27), resulted in 43.3 percent completely agreeing with this statement. Owners whose decisions are generally not based on a comprehensive knowledge of their market (question 27.30), resulted in 46.3 percent completely disagreeing with this statement. Owners whose business takes a long time to respond to changes in market needs (question 27.31), resulted in 46 percent completely disagreeing with this statement.

The third most notable category of research findings (absolute frequencies of 49 and less for completely agreeing, or, the reverse in the case of negative statements) found the following: a formal process for continually collecting information from the market (question 27.17), resulted in 27 percent completely agreeing with this statement. The formal process for sharing information throughout the business (question 27.24), resulted in 70.8 percent completely to slightly agreeing with this statement. SMMTE owners seem not to always implement marketing plans effectively (question 27.29), resulted in 46.2 percent completely to slightly agreeing with this statement.

**Table 6.29: Individual level activities associated with creativity**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		1		2		3		4		5	
		n	%	n	%	n	%	n	%	n	%
27.2	I see innovation as an integral competence for the long-term (5 years or more) survival of the business	11	6.8	7	4.3	8	4.9	44	27.2	92	56.8
27.14	I encourage non-traditional thinking to deal with traditional problems	6	3.7	6	3.7	17	10.6	55	34.2	77	47.8
27.15	I meet regularly with my customers to determine what products/services they will need in the future	8	4.9	7	4.3	22	13.5	50	30.7	76	46.6

The more significant findings for Table 6.29 associated with creativity are discussed hereafter in three categories: most notable, second most notable and third most notable. There was no most notable category of research findings (absolute frequencies of 100 and more for completely agreeing, or, the reverse in the case of negative statements) reported for this table.

The second most notable category of research findings (absolute frequencies of between 50 and 99 for completely agreeing, or, the reverse in the case of negative statements) found the following: Owners see innovation as an integral competence for the long-term survival of the business (question 27.2), resulted in 84 percent completely to slightly agreeing with this statement. Owners encourage non-traditional thinking to deal with traditional problems (question 27.14), resulted in 82 percent completely to slightly agreeing with this statement. Owners who meet regularly with customers to determine what products or services they will need in the future (question 27.15), resulted in 77.3 percent completely to slightly agreeing with this statement.

There was no third-most notable category of research findings (absolute frequencies of 49 and less for completely agreeing, or, the reverse in the case of negative statements) reported for this table.

**Table 6.30: Individual level activities associated with vision**

		Completely disagree		Slightly disagree		Undecided		Slightly agree		Completely agree	
		1		2		3		4		5	
		n	%	n	%	n	%	n	%	n	%
27.3	I believe that a vision of the long-term future (5 years or more) of the business is not important	102	61.8	26	15.8	6	3.6	10	6.1	21	12.7
27.7	I believe that it is not necessary to be formulate strategic goals	87	54.0	33	20.5	12	7.5	18	11.2	11	6.8
27.10	I specify the importance of having a strong sense of purpose	3	1.8	4	2.5	6	3.7	42	25.8	108	66.3
27.16	I am slow to detect changes in my customer's product / service preferences	61	37.4	53	32.5	12	7.4	27	16.6	10	6.1

The more significant findings for Table 6.30 associated with vision are discussed hereafter in three categories: most notable, second most notable and third most notable.

The most notable category of research findings (absolute frequencies of 100 and more for completely agreeing, or, the reverse in the case of negative statements) found the following: SMMTE owners' belief that a vision of the long-term future of the business is not important (question 27.3), resulted in 61.8 percent completely disagreeing with this statement. The owners' need to specify the importance of having a strong sense of purpose (question 27.10), resulted in 66.3 percent completely agreeing with this statement.

The second most notable category of research findings (absolute frequencies of between 50 and 99 for completely agreeing, or, the reverse in the case of negative statements) found the following: Owners who believe that it is not necessary to formulate strategic goals (question

27.7), and resulted in 54 percent completely disagreeing with this statement. SMMTE owners are slow to detect changes in their customers' product or service preferences (question 27.16), resulted in 69.9 percent of respondents completely to slightly disagreeing with this statement.

There was no third-most notable category of research findings (absolute frequencies of 49 and less for completely agreeing, or, the reverse in the case of negative statements) reported for this table.

### **6.3 SUMMARY**

This chapter discussed the descriptive statistical aspect of the research, in detail. The typical business characteristics of the SMMTEs in the study can be profiled as follows: have been in operation for more than 42 months (or 3.5 years); have no other branches other than the main business; are largely family owned; own privately registered companies; operate mostly in the accommodation and catering sub-sector of the tourism industry; employ 10 to 49 full-time employees; expect to employ a further 10 to 49 full-time staff within the next five years; employ up to four part-time employees per annum, have an estimated total gross turnover of between ZAR1 and 5 million; and, have an total asset value of more than ZAR 1.5 million (excluding fixed property).

The typical attributes of the SMMTE owners in the study suggest the following: the majority of owners have an internal locus of control; many have almost no formal management education in all the functional management areas and the largest proportion have received management functional education in only two functional areas; many have almost no prior-experience in all functional management areas and the largest proportion have some prior-experience in three of the functional management area; however, a large proportion indicated appropriate technical competence for the operations of their business and almost half of the respondents indicted three entrepreneurial reasons for starting a business but a small proportion did indicate no entrepreneurial reason for starting their businesses; the majority of owners indicated a tendency toward risk aversion and thus were deemed non-entrepreneurial for the purpose of this study; and lastly, the holistic capabilities of the respondents indicate an internal approach was dominant within these SMMTEs and thus were also deemed non-entrepreneurial for the

purpose of this study.

The typical demographic profile of the SMMTEs can be characterised as follows: the majority of respondents originate from largely the Western Cape and Gauteng provinces; are most likely based in urban /metropolitan areas; are most likely 45 to 54 years of age; most likely are male; the highest number have attained a Grade 12 qualification with a further notable number having attained a three year tertiary qualification; and, the majority can be classified as originating from European descent.

The descriptive results of strategic activities at an organisational level suggest that SMMTEs do focus on creating a competitive advantage for the business; have processes in place to affect decisions concerning the long-term future of their business; use customer information to plan for the improvement of business performance; have formal mechanisms to understand the needs of their customers, understand that the future of SMMTE depends on developing good relationships inside and outside the business; and, understand that the future development of their business depends on developing the SMMTE business as a whole. It is however of concern that at the organisational level there is a lack of appreciation for the need for experimentation with new business ideas; the SMMTEs do not seem to place enough emphasis on staff learning from their mistakes; the SMMTEs do not seem to place a great enough emphasis on the need for undertaking regular post-audits of unsuccessful business projects; have an inclination toward low risk projects; do not use specialists to assist with investigating and writing reports on major decisions; enough emphasis does not seem to be placed on the need to be able to make decisions that are aimed at resolving crises that arise within the SMMTEs; and, seem to focus on the immediate future when making decisions at organisational level.

The descriptive results of strategic activities at an at individual level, do seem to suggest that SMMTEs focus on understanding their businesses within the broader business environment; encourage differing perspectives when addressing problems; support the idea of looking at problems from various angles; and regularly analyse their customer complaints and immediately resolve these as they arise. The SMMTE owners seem, to some degree, to support the need for innovation, encourage non-traditional thinking when dealing with traditional



problems and regularly meet with their customers to determine what products or services they will need. The SMMTE owners firmly believe that a vision of the long-term future of the business is critical, firmly support the need for the SMMTE to have a firm sense of purpose and formulate goals in that regard, and consequently, need to be able to detect changes in their customer needs or service preferences. It is however of concern that there is no overwhelming support for formal processes to be in place for continually collecting information from their markets, or any formal processes for sharing information throughout the SMMTE. It is also noted in the study that SMMTE owners do not always seem to implement marketing plans effectively. The latter issues (lack of formal structures and poor implementation of planning) are confirmed by the literature findings as discussed previously in the study (ref. Section 3.2).

Overall, the descriptive results suggest that the respondents may be lifestyle and family business orientated. The predominance, according to Carlsen and Getz (2000: 239), of middle-aged couples in the tourism sector may reflect a trend towards semi-retirement and subsequent self-employment. As indicated in Section 3.2.3, lifestyle-orientated business owners are primarily not involved in business to get rich, or to create growth-orientated business empires. Instead of money, the most common motivation of the lifestyle business owners is a fierce desire to work for themselves, and run businesses that would fit around their lifestyles and ages. Many of these lifestyle business owners are in fact already financially successful before becoming involved with their SMMTEs. They understand that they are in business to make a living and earn to support their chosen way of life.

Deductions from the descriptive data concerning the attributes of the SMMTE owners, the manifestation of strategic behaviour, and, consequently any predictors for success can however only be carried out once the possible relationships between the various constructs of the research model have been determined. The next chapter will analyse the possible relationships between the various constructs of the research model.

## **CHAPTER 7**

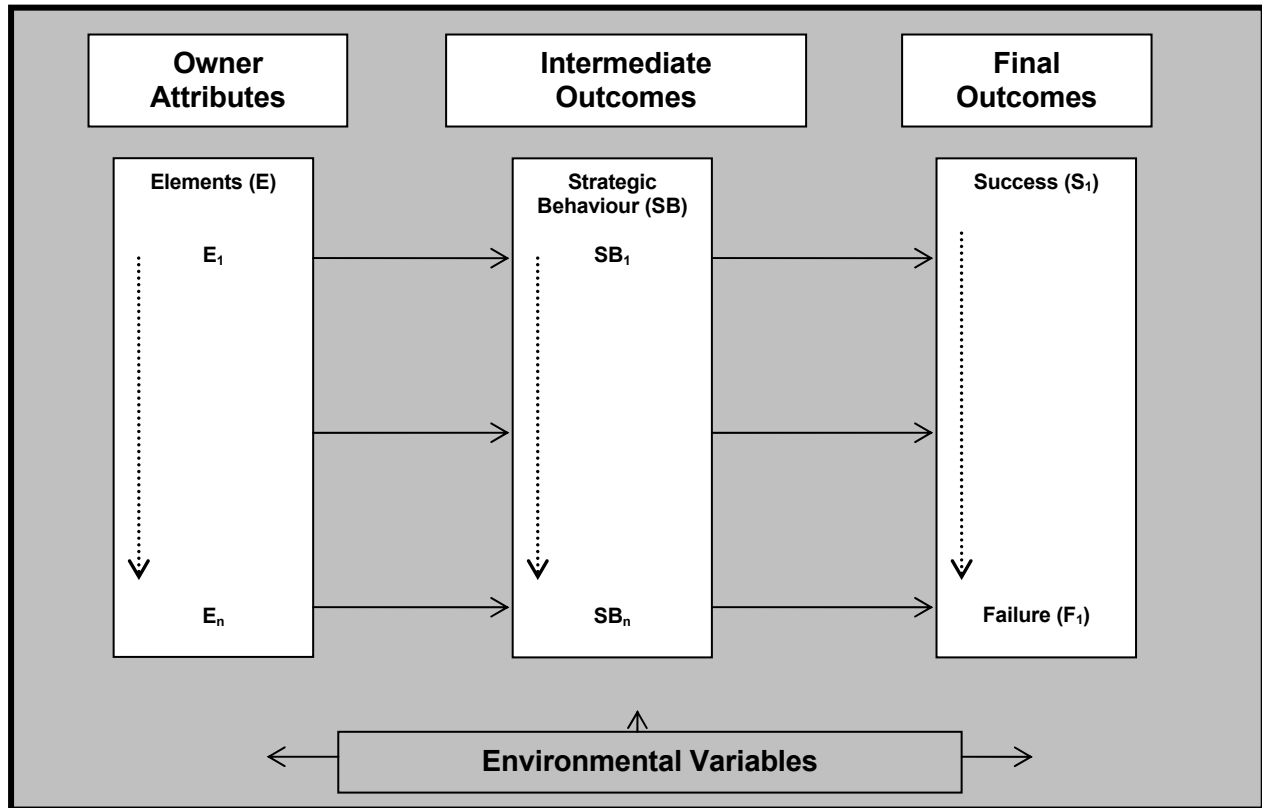
# **A STATISTICAL INVESTIGATION INTO THE RELATIONSHIP BETWEEN THE ATTRIBUTES OF SMMTE OWNERS AND THE MANIFESTATIONS OF STRATEGIC BEHAVIOUR**

### **7.1 INTRODUCTION**

In the previous chapter research data was collected from the respondents in the study, it was collated and discussed descriptively. Descriptive statistics use procedures, such as relative and absolute frequency distributions, to organise and summarise the masses of numerical data (Mason & Lind, 1990: 9). The responses provided in Chapter 6 could be regarded as a static image of the SMMTE decision-makers, at any one given time. The descriptive statistics utilised in the previous chapter, for instance, do not predict which of the explanatory variables are predictors of the independent variables and it thus it is not possible to make recommendations in order to develop manifestations of strategic behaviour of SMMTEs. In order to overcome this problem, higher-order type statistical analysis, such as inferential statistics (i.e. testing for significance), is utilised in this chapter. Inferential statistics (according to Mason & Lind, 1990: 9), or statistical induction, comprises the use of statistics to make inferences concerning some unknown aspect (usually a parameter) of a population based on what is known, the sample data. Stated differently, inferential statistics can be used to infer from the sample data what the SMMTE population might think. Inferential statistics thus has the main purpose of drawing conclusions about the research population on the basis of data collected from a sample. Alternatively, inferential statistics is used to make judgments of the probability that an observed difference between groups is a dependable one or one that might have happened by chance in this study. Correlations, according to Vermeulen (1998: 76), can be used to make inference about relationships between variables using correlation analysis. Thus, inferential statistics is used to make inferences from the data to more general conditions; descriptive statistics simply describe what is going on in the data.

This chapter defines and describes the data analysis methods that were used to measure the

relationship between the attributes of SMMTE owners and strategic behaviour, and the results obtained. For ease of reference, conceptual framework as depicted in Figures 4.2 and 5.1 are produced in Figure 7.1.



**Figure 7.1 (ref. Figure 4.2): The *a priori* model for strategic behaviour of SMMTEs (Conceptual Model)**

The proposed conceptual model consists of integrating a number of variables ( $E_1 \dots E_n$ ) characterised as the attributes of the SMMTE owners and a second set of variables ( $SB_1 \dots SB_n$ ) characterised as the manifestations of strategic behaviour of the SMMTE owners. This relationship is depicted in Figure 7.1. The strength or weakness of this relationship will indicate the degree of association between the owner attributes and strategic behaviour (intermediate outcome). Accordingly, the study assumes that if the preferred strategic behaviour is applied within SMMTEs it can result in successful final outcomes for such SMMTEs, or in the opposite case, if preferred strategic behaviour is not applied it can lead to failure. The correlation of these relationships, or absence of any direct link, is based on the indicators from literature, logical reasoning and insight. The focus of the study thus is primarily on the SMMTE owner and

the manifestation of strategic behaviour within the SMMTE and is not focussed on the final outcomes of an SMMTE in terms of success. The study accepts that the strategic behaviour manifestations of the SMMTE owners are the *dependent variables* and SMMTE owners' attributes are the *independent variables*.

Although the research hypotheses of this study are implicitly stated through the *a priori* model, as depicted in Figure 7.1, to assist with data analysis objective of this chapter the main research hypothesis, along with its set of sub-hypotheses, are stated hereafter:

## **7.2 STATING THE MAIN RESEARCH HYPOTHESIS AND ITS SUB-HYPOTHESES**

### **7.2.1 Main and null hypotheses statements**

**Null Hypothesis ( $H_0$ )** = There is no association between the owner attributes of the SMMTEs (that are characterised by locus of control, reasons for starting a business, holistic capabilities, propensity to risk, formal management education and prior-experience) and preferred strategic behaviour.

**Alternative Hypothesis ( $H_1$ )** = There is an association between the owner attributes of the SMMTEs (that are characterised by locus of control, reasons for starting a business, holistic capabilities, propensity to risk, formal management education and prior-experience) and preferred strategic behaviour.

### **7.2.2 Sub-hypotheses statements: entrepreneurial attributes and strategic behaviour**

The main research hypothesis indicated in Section 7.2.1 has been restated into six sub-hypotheses, as indicated hereafter:

#### **7.2.2.1 Sub-hypothesis 1: Locus of control and strategic behaviour**

##### **Null sub-hypothesis**

There is no relationship between locus of control and strategic behaviour.

**Alternative sub-hypothesis**

There is a positive relationship between locus of control and strategic behaviour.

7.2.2.2 Sub-hypothesis 2: Formal education and strategic behaviour

**Null sub-hypothesis**

There is no relationship between management education and strategic behaviour.

**Alternative sub-hypothesis**

There is a positive relationship between management education and strategic behaviour.

7.2.2.3 Sub-hypothesis 3: Prior-management experience and strategic behaviour

**Null sub-hypothesis**

There is no relationship between prior-management experience and strategic behaviour.

**Alternative sub-hypothesis**

There is a positive relationship between prior-management experience and strategic behaviour.

7.2.2.4 Sub-hypothesis 4: Entrepreneurial reasons for starting a business and strategic behaviour

**Null sub-hypothesis**

There is no relationship between entrepreneurial reasons for starting a business and strategic behaviour.

**Alternative sub-hypothesis**

There is a positive relationship between entrepreneurial reasons for starting a business and strategic behaviour.

#### 7.2.2.5 Sub-hypothesis 5: Risk profiles and strategic behaviour

##### **Null sub-hypothesis**

There is no relationship between risk propensity and strategic behaviour.

##### **Alternative Sub-hypothesis**

There is a positive relationship between risk propensity and strategic behaviour.

#### 7.2.2.6 Sub-hypothesis 6: Holistic/conceptual profiles and strategic behaviour

##### **Null Sub-hypothesis**

There is no relationship between holistic/conceptual capabilities and strategic behaviour.

##### **Alternative sub-hypothesis**

There is a positive relationship between greater holistic/conceptual capabilities and strategic behaviour.

The underlying logic in hypothesis testing, according to Acastat (2006: 26-31), in order to reject the null hypothesis is based on rejecting a statement of no association /correlation (or other studies may reject a statement of no difference). The null hypothesis is only rejected when there is evidence beyond a reasonable doubt that a true difference or association exists in the population from which we drew the random sample. There are four possible outcomes in hypothesis testing; these are indicated in Table 7.1.

**Table 7.1: Outcome of hypothesis testing**

	Actual population comparison	
	Null Hypothesis TRUE	Null Hypothesis FALSE
Decision	There is no correlation	There is a correlation
Null Hypothesis REJECTED	TYPE 1 error $\alpha$ (alpha)	Correct Decision
Null Hypothesis is NOT REJECTED	Correct Decision	TYPE II error $\beta$ (beta)
	$\alpha$ = probability of making a Type I error $\beta$ = probability of making a Type II error	

Source: Acastat (2006: 30)

One of the key concepts in hypothesis testing is that of significance level (or, equivalent alpha ( $\alpha$ ) level) which specifies the probability level for the evidence to be an unreasonable estimate. Reasonable doubt can be based on the probability sampling distributions and can vary at a researcher's discretion. The  $\alpha$  being 0.05 (for two-tailed tests) is a common benchmark for reasonable doubt in the social and business sciences research (as opposed to a more conservative  $\alpha=0.01$  used more commonly by the natural sciences). A two-tailed test of significance is used for a non-directional hypothesis, assumes that an extreme score can occur in either tail of the normal curve, and, is less powerful than a one-tailed test of significance. (Conversely, a one-tailed test of significance is used for a directional hypothesis, requires sufficient knowledge of the variables to predict in which tail of the curve the values will occur, assumes that an extreme score can occur in a single tail of the normal curve, is more powerful than a two-tailed test, and decreases the possibility of a Type II Error.). At  $\alpha=0.05$  it is assumed that from the sampling distribution that a test statistic will only occur by random chance five times out of a 100 (5% probability) and we automatically specify how much confidence (0.95) we will have in a decision to fail to reject the null hypothesis if it is really is the true state of affairs. A test statistic that results in an  $\alpha$  of 0.05 could only occur by random chance five percent of the time. The test statistic (or critical value) is determined before the test is conducted in order to be able to claim statistical significance. For instance, if it is known for a given sampling distribution that a test statistic is positive or negative 1.96, or greater in absolute value, this would be considered statistically significant.

The most common format that a Type I error has been calculated is reported as "p" or

“significance”. Using  $p$  as an example, if *a priori* a threshold has been established for statistical significance at  $\alpha = 0.05$ , any test with significance at less than 0.05 would be considered statistically significant and it would be required to reject the null hypothesis of no difference or correlation.

The  $p$ -value, according to Singh (2006: 149), indicates the strength of evidence against the null hypothesis where the smaller the  $p$ -value, the stronger the evidence against the null hypothesis.

Hypothesis testing is used to establish whether the association exhibited by random samples can be inferred to the population from which the samples have originated. For interval or ratio data, researchers use, for example: the  $t$ -test, Pearson correlation, ANOVA or regression. In the case of nominal or ordinal data, researchers use difference of proportion, chi square and related measures of association.

It is noted by Statistics Solutions, Inc. (2006: internet) and Garson (2006: internet) that the central limit theorem demonstrates that for large samples, indices used in significance testing will be normally distributed even when the variables themselves are not normally distributed, and therefore significance testing may be employed. Furthermore, one “may wish to use Spearman or other types of nonparametric rank correlation when there are marked violations of this assumption, though this strategy has the danger of attenuation of correlation”. To determine if there is a relationship, or association, between the strategic behaviour of co-producers (dependent variables) and the attributes of the SMMTE owners (independent variables), the Pearson’s Correlation Matrix, as discussed in Section 7.3.1, was applied.

## **7.3 STATISTICAL ANALYSIS FOR ASSOCIATION OF THE VARIABLES**

### **7.3.1 Pearson's, or Product-Moment, Correlation Coefficient**

The Pearson Correlation Coefficient is denoted by the symbol  $r$  and is a descriptive statistic for examining the linear relationship between two measures or variables. Its formula, as per Acastat (2006: 76), Garson (2006: internet), and Mason and Lind (1990: 496), is depicted hereafter:



**Formula 7.1: Pearson Correlation Coefficient**

$$r = \frac{n \sum XY - \sum X \sum Y}{\sqrt{[n \sum X^2 - (\sum X)^2][n \sum Y^2 - (\sum Y)^2]}}$$

Source: Acastat (2006: 76), and Mason and Lind (1990: 496)

Pearson correlation is considered to be the measure of strength of a relationship between two variables; however, any such relationship also needs to be assessed for its significance (namely, its reliability). The strength of the relationship, according to Janda (2001: internet) and, Mason and Lind (1990: 495), is indicated by the correlation coefficient:  $r$  but is actually measured by the coefficient of determination:  $r^2$ . The significance of the relationship is expressed in probability levels:  $p$  (for example, significant at  $p=0.05$ ) and tells us how unlikely a given correlation coefficient,  $r$ , will occur given no relationship in the population. It emphasised that the smaller the  $p$ -level, the more significant the relationship, but, the larger the correlation coefficient, the stronger the relationship. It is further noted that a relationship can be strong yet not significant, or conversely, a relationship can be weak but significant. Thus, the key factor is the size of the sample, for instance, in small samples it could be easy to produce a strong correlation by chance and attention needs to be paid to the strength of the significance to avoid rejecting the true null hypothesis (making a Type I error). Conversely, in large samples, it could be easy to achieve significance and attention needs to be paid to the strength of the correlation to determine if the relationship explains much. It is further noted by Pritchard (1998: internet), Schenker (2006: internet), and, Mason and Lind (1990: 495) that research can not make any inference about the statistical significance of a relationship from the correlation coefficient on its own, an inferential statistic has to be used to test whether the correlations is equal to zero or not.

The range of the correlation runs from -1.00 to +1.00. The weakest relationship is 0.00 which indicates that the two variables do not co-vary at all. A +1.00 correlation indicates that the variables co-vary in a perfectly positive or direct manner, and a -1.00 correlation indicates that the variables co-vary in a perfectly negative or indirect manner. It is further noted that correlation does not necessarily mean causation as two variables may be related to each other, but, this does not imply that one variable causes the other. The strength and direction of the correlation coefficient is

summarised in Figure 7.2.

Perfect negative correlation	No correlation				Perfect positive correlation
Strong negative correlation	Moderate negative correlation	Weak negative correlation	Weak positive correlation	Moderate positive correlation	Strong positive correlation
-1.00	-0.50	0	+0.50	+1.00	
Negative correlation			Positive correlation		

**Figure 7.2: Summary of the strength of the correlation ( $r$ ) coefficient**

Source: Mason and Lind (1990: 496)

#### 7.4. INTERMEDIARY STEPS TO TRANSFORM THE DATA

In order for higher-level statistical analysis to be carried out the following intermediary steps were undertaken to transform the data for onward statistical processing:

- The research data of some of the main questions (16, 17, 18, 21, 23 and 25) of the research instrument had to be pre-processed in order to prepare the said data for the higher-level statistical analyses. The background to this process was detailed in Chapter 6. For example, in question 16, a Microsoft Excel output table was generated which included the data indicating/concerning the internal locus of control scores (score of 1 to 7) of each respondent, as depicted in Table 6.17.2. Similar pre-processing steps were undertaken, resulting in output tables, for the other questions items (questions 17, 18, 21, 23 and 25). Refer to Appendix 14 for a complete record of the process undertaken in this regard.
- A number of negatively stated question items included in question 26 (i.e. 26.7, 26.9, 26.11, 26.13, 26.15, and 26.16) were recoded into positively stated question items. Similarly, a number of negatively stated questions items included in question 27 (i.e. 27.1, 27.3, 27.7, 27.16, 27.19, 27.22, 27.23, 27.25, 27.26, 27.29, 27.30, 27.31) were recoded into positively stated question items. This was achieved through the reversal of the 5-point

Likert scales (refer to Tables 7.2.1 and 7.2.2 respectively for further detail concerning the affected question items).

- A number of questions items included in question 26 (i.e. 26.5, 26.23, 26.26, 26.34, 26.42, 26.43, and 26.44) were recoded to correctly realign these items within the theoretical intent of the *a priori* model (refer to Table 7.2.1 for further detail concerning the affected question items). Question 27 was unaffected in this regard.

**Table 7.2.1 Recoded question items at organisational level (Question 26)**

26.5	The business's long-term (5 years or more) activities are not matched with the business's environment.
26.7	Where inter-personal rivalry occurs in the business, little is done to manage it.
26.9	People involved in the business are not provided opportunities to learn from their mistakes.
26.11	Employees are not informed about the long-term plans of the business.
26.13	There is little sharing of lessons about market behaviour between the various "sections" of the business.
26.15	Our markets are not monitored regularly.
26.16	Our customer contact employees do not feed market information to the owners of the business.
26.23	The owners of this business seldom discuss competitors' strategies.
26.26	In this business little action can be taken until the owner approves it.
26.34	When confronted with decision-making situations my business typically adopts a bold and aggressive attitude.
26.42	The speed with which we make important business decisions varies because of time pressures.
26.43	Decisions aimed at the resolution of crises are most common
26.44	The emphasis is on the immediate future when making management decisions.

**Table 7.2.2 Recoded question items at individual level (Question 27)**

27.1	I see no need to understand the business within the broader business environment.
27.3	I believe that a vision of the long-term future (5 years or more) of the business is not important.
27.7	I believe that it is not necessary to be formulate strategic goals.
27.16	I am slow to detect changes in my customer's product / service preferences.
27.19	I do not have an up-to-date customer database.
27.22	I very rarely have "inter-departmental" meetings to discuss market trends.
27.23	I seldom circulate documents that provide information on our markets.
27.25	I do not regularly monitor our customers.
27.26	I do not regularly analyse customer complaints.
27.29	I do not always implement marketing plans effectively.
27.30	My decisions are generally not based on a comprehensive knowledge of our market.
27.31	My business takes a long time to respond to changes in customer's needs.

## 7.5 RELIABILITY/ITEM ANALYSIS OF THE DATA SET

Reliability, according to Hair, Anderson and Tatham (1998) (as in Adendorff, 2005: 365), is “the degree to which a set of latent construct indicators are consistent in their measurements”. Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made (Adendorff, 2005: 384). The reliability (or internal consistency) estimate of the research instrument needed to be determined as two of the question constructs (questions 26 and 27) of the research instrument were new constructs that had not been tested before, as an entity, although many of the constituent question items of the said two constructs may have originated from other validated research instruments.

Concepts, according to Clark, Riley, Wilkie and Wood (1998: 19), must be operationalised i.e. for each concept there must be some indicator, normally a method of measure which stands for the concept and accepted as allowing for the inference of accurate measurements of the concept. These indicators must be valid in that they accurately measure the concept, and reliable in the sense that they are consistent from one measure to the next. In many areas of research, state Statsoft (2007: internet) and Veal (1997: 36), the precise measurement of hypothesized processes or variables (theoretical constructs) poses a challenge by itself. In general, in the social sciences, unreliable measurements of people's beliefs or intentions do hamper efforts to predict their behaviour, especially whenever variables are difficult to observe. Attitudinal questions, note Oppenheim (1992: 147) and Clark, Riley, Wilkie and Wood (1998: 129), are more sensitive to changes in wording, context, emphasis and so forth; it becomes difficult to assess reliability by asking the same question in another form. Consequently, the researcher should not rely on single questions when measuring attitudes that are central to a study. The researcher should use sets of question items that relate to the same attitude, thereby maximising the more stable component whilst reducing instability due to particular items, emphasis, mood changes and so forth.

Reliability, write De Vos (2001: 85), Kress (1982: 153), Veal (1997: 35) and Bless and Higson-Smith (2000: 126-127), has been defined as the accuracy or precision of an instrument; as the degree of consistency or agreement between two independently derived sets of scores; and as the extent to which independent administrations of the same instrument yields the similar

results under comparable conditions. Zimkund (2000) (as in Adendorff, 2005: 384) states that two dimensions underlie the concept of reliability, namely, repeatability and internal consistency. Reliability is defined by Statistics Solutions, Inc. (2007b: internet) as the correlation of an item, scale, or instrument with a hypothetical one which truly measures what it is supposed to. Reliability is primarily concerned not with what is being measured but with how well it is being measured. High reliability however does not guarantee valid results but there can be no valid results without reliability (De Vos, 2001: 86). Several procedures exist to determine the reliability of an instrument according to Bless and Higson-Smith (2000: 126-129, Singleton, Straits and Miller Straits (1993: 118-121) and Statistics Solutions, Inc., 2007b: internet) which are:

- Internal consistency: Estimation based on the correlation among the variables comprising the set (typically, Cronbach's alpha).
- Split-half reliability: Estimation based on the correlation of two equivalent forms of the scale (typically, the Spearman-Brown coefficient).
- Test-retest reliability: Estimation based on the correlation between two (or more) administrations of the same item, scale, or instrument for different times, locations, or populations, when the two administrations do not differ in other relevant variables (typically, the Spearman Brown coefficient).
- Inter-rater reliability: Estimation based on the correlation of scores between/among two or more raters who rate the same item, scale, or instrument (typically, intra-class correlation).

Due to the problem of creating two equivalent forms of subtests to test reliability, indicate Singleton, Straits and Miller Straits (1993: 120) and Clark, Riley, Wilkie and Wood (1998: 130), it gives rise to another technique for assessing reliability called internal consistency. This approach examines the relationship among all the items simultaneously rather than arbitrarily splitting the items or comparing the results of parallel forms (to what degree are the items measuring the same concept?). An overall test of internal consistency, note Oppenheim (1997: 147) and Bless and Higson-Smith (2000: 130), is often carried out using the coefficient of a reliability statistic. The value of the coefficient of reliability usually falls

between 0 and 1 where an instrument with no reliability will score 0 and an instrument with a high reliability will score close to 1. Internal consistency methods, write Clark et al. (1998: 130), are the purest form of reliability and work solely on two dimensions of a number of item statements and the correlation between the test items. The actual measure is a coefficient. The Spearman-Brown or reliability formula (or the prophesy formula as per Shultz and Whitney, 2004: 73), depicted in Formula 7.2, illustrates the relationship between these two dimensions:

**Formula 7.2: Spearman-Brown reliability (prophesy) formula**

$$r_{xx} = \frac{k(r_y)}{1+(k-1)r_y}$$

Source: Clark, Riley, Wilkie and Wood (1998: 130)

The Spearman-Brown reliability estimate ( $r_{xx}$ ) consists of  $k$  which is the number of items in the survey, and,  $r_y$  which is the average correlation amongst the survey items. Thus, instead of the item statements being split into odd and even numbers, the whole data set is correlated and the average inter-correlation is utilised. In a sense, this formula is an extension of the split-half method (depicted in Formula 7.2.1). The Spearman-Brown ( $r_{xx}$ ) split-half reliability estimate is depicted by 2 (the column of scores on odd ( $o$ ) and even ( $e$ ) numbered statements), and where  $r_{oe}$  is the correlations between the odd and even columns.  $r$  equals the actual correlation between the two halves of the instrument.

**Formula 7.2.1: Spearman-Brown split-half reliability formula**

$$r_{xx} = \frac{2 r_{oe}}{1+r_{oe}}$$

Source: Clark, Riley, Wilkie and Wood (1998: 130)

It is recommended by Shultz and Whitney (2004: 73) that whenever a slit-half reliability estimate is calculated, the Spearman-Brown prophesy formula is also calculated to correct for the fact that the test was cut in half.

Item analysis is used to indicate which items can be retained and which items ought to be removed, in order to increase the internal consistency of the test (raise the reliability). Bless and Higson-Smith (2000: 129) indicate that a more detailed method in estimating the internal consistency of an instrument is found in item analysis. Item analysis endeavours to determine how well the responses to each item correspond to the responses to other items and to the test as a whole. This process assists with identifying those items in an instrument which are not providing useful information about the subjects or which are actually confusing the data and through removing the troublesome data can lead to increase the overall reliability of the instrument. Singleton, Straits and Miller Straits (1993: 121-122) indicate that item-by item analysis can reveal which items discriminate well between units with different values on a particular variable. Those that do not discriminate appropriately can be removed. By keeping those items that correlate highly with the total score, reliability can be improved. Using item analysis, according to Van der Post (1997: 86-87), it is possible to shorten a test and at the same time to increase its reliability. It is further emphasised that items that correlate highly with total scores are the best items for a test. The product-moment correlation is deemed the appropriate measure in the case of multi-point items. However, where the Pearson product-moment correlation is computed for item analysis, account must be taken of the fact that the items are part of the total test score. This causes the correlation of the item with the total test score to be higher than if the item is correlated with scores on all the other items. This spurious source of the item-total correlation can be removed. Item with the highest correlation coefficient with the total score should be included in the test because when combined, they form a scale with the highest internal consistency.

An important index of internal consistency is Cronbach's coefficient alpha. This coefficient provides the researcher with a measure of item homogeneity or internal consistency that algebraically equals the average of the split-half coefficients as computed by means of the Guttman-formula on all possible splits of a test. As a measure of test reliability coefficients alpha may be used with dichotomous as well as multi-point items such as the Kuder-Richardson formula 20. It is further maintained by Van der Post (1997: 88) that there is no doubt that coefficient alpha is the most efficient measure of reliability and should always be computed. It is further noted by Statistical Solutions, Inc. (2006: 1-3), that Cronbach's alpha

increases as the number of items in the scale increases. Alternatively, increasing the number of items could be seen as away of pushing alpha to an acceptable level. This reflects the assumption that scales and instruments with a greater number of items are more reliable. It is also stated that comparison of alpha levels between scales with different numbers of items is not appropriate.

In the light of the reliability of SMMTE owner attributes (the independent variables) having been previously measured by the De Coning (1988) and other studies, the Cronbach alpha reliability estimate ( $\alpha$ ) which is used to estimate the proportion of variance that is systematic or consistent in a research instrument, was not computed again for this study. It is stated by Garson (2008a: internet) that:

*“The widely-accepted social science cut-off is that alpha should be .70 or higher for a set of items to be considered a scale, but some use .75 or .80 while others are as lenient as .60”.*

Cronbach’s alpha is considered by Statistical Solutions, Inc, (2006: 1-3) as the most common form of internal consistency reliability coefficient. As indicated previously, Cronbach-alpha values are based on the average correlation of variables within specific sets of items measuring a construct. For example, a reliability coefficient of 0.85 indicates that 85 percent of the variance from the actual scores (obtained from the sample) is due to the variance of the true scores obtained (Adendorff, 2005: 365). By convention, a lenient cut-off of 0.60 is considered by Statistical Solutions, Inc. (2006: 1-3), as common in exploratory research; alpha should be at least 0.70 or higher to retain an item in an “adequate scale”. This is also supported by Adendorff (2005: 366) who states “reliability coefficients lower than 0.60 are deemed questionable, 0.70 are acceptable, and coefficients higher than 0.80 are highly reliable”.

Section 7.5.1 will deal with reliability/item analysis of questions 26 and 27. Namely, to measure the reliability (internal consistency) estimate of the instrument as these two questions are new constructs and had not been tested before, as an entity, although many of the questions items may have originated from other validated research instruments (ref. Section 5.7.8 and Table 5.5). For the purpose of this study, the Cronbach-alpha reliability



area of 0.60 to 0.69 will be regarded as marginally reliable, 0.70 to 0.79 will be considered as acceptable, and coefficients of 0.80 and higher will be deemed highly reliable.

The following section tests the reliability of the strategic behaviour (dependent variable) dimension, as explained in the aforementioned discussion.

### 7.5.1 Reliability coefficient: results

Question 26 consisted of three sub-dimensions elements and question 27 consisted of two sub-dimensions elements each containing a number of question items as indicated in the Table 7.3.

**Table 7.3: The strategic behaviour construct and its related question items (ref. Table 5.5)**

Dimension (Concept)	Dimension elements	Dimension Sub-elements	These items explain this dimension. (ref. Appendix 5, Sections C and D)
Strategic behaviour	Organisational level (Question 26)	Foster strategic dialogue amongst all stakeholders	26.1, 26.2, 26.3, 26.4, 26.5, 26.10, 26.11, 26.14, 26.15, 26.17, 26.19, 26.22, 26.23, 26.24, 26.25, 26.26, 26.27, 26.28, 26.29, 26.30, 26.33, 26.34, 26.37, 26.38, 26.39, 26.41, 26.42, 26.44, 26.45, 26.46
		Exploit ingenuity and creativity of stakeholders	26.6, 26.7, 26.8, 26.9, 26.12, 26.13, 26.16, 26.18, 26.20, 26.21, 26.31, 26.32, 26.35, 26.36, 26.40, 26.43
	Individual level (Question 27)	Holistic understanding of the SMMTE environment	27.1, 27.4, 27.5, 27.6, 27.8, 27.9, 27.11, 27.12, 27.13, 27.17, 27.18, 27.19, 27.20, 27.21, 27.22, 27.23, 27.24, 27.25, 27.26, 27.27, 27.28, 27.29, 27.30, 27.31
		Creativity	27.2, 27.14, 27.15
		Vision of the SMMTEs future	27.3, 27.7, 27.10, 27.16

The present study calculated Cronbach alpha for each of the original latent dependent variables included in questions 26 and 27 (as depicted in Table 7.3) of the *a priori* model. Refer to Appendix 15 for the results of the reliability testing results of the original latent dependent variables.

#### 7.5.1.1 Foster strategic dialogue of Question 26

The results indicate that the overall Cronbach alpha was 0.80 for the said dependent variable (dimension sub-element). Considering though that the alpha is greater than 0.70, but because Cronbach's alpha increases as the number of items increases, which tends to inflate alpha, split-half reliability testing was undertaken as an alternative to alleviate the problem.

##### 7.5.1.1.1 *Split-half testing reliability of Foster strategic dialogue*

Split-half reliability measures equivalence is also called the parallel forms reliability or internal consistency reliability. It is administering two equivalent batteries of items measuring the same thing in the same instrument to the same people. Statistical Solutions, Inc (2006: internet) indicates that that one of the coefficients that can be generated is Guttman split-half coefficient. The Guttman split-half coefficient is an adaptation of the Spearman-Brown coefficient, but one that does not require equal variances between the two split forms. The tests undertaken showed the Guttman split-half coefficient to be 0.78. Thus, the Guttman split-half coefficient was greater than 0.7, and it can be concluded that this construct can be deemed reliable.

#### 7.5.1.2 Exploit ingenuity of Question 26

The results indicate that the overall Cronbach alpha was 0.80 for the said dependent variable (dimension sub-element). Considering though that alpha is greater than 0.70, but because Cronbach's alpha increases as the number of items increases, which tends to inflate alpha, split-half reliability testing was undertaken as an alternative to alleviate the problem.

##### 7.5.1.2.1 *Split-half testing reliability of Exploit ingenuity*

The tests undertaken showed the Guttman split-half coefficient to be 0.68. Thus, the Guttman

split-half coefficient was greater than 0.6, and it can be concluded that this construct can be deemed marginally reliable.

#### 7.5.1.3 Removal of items to improve reliability of Question 26

The results, as depicted in Table 1 in Appendix 16, further show that should question items 26.34 and 26.42 be removed, the Cronbach alpha reliability can be further improved (to 0.82 and 0.81 respectively). The decision to remove the two items was further verified from a theoretical point of view because in retrospect the two said item may have been formulated ambiguously (as the results of the Cronbach alpha also suggest). Consequently, the two question items were removed from the said construct and the Cronbach alpha was ultimately recalculated to be 0.83. Refer to Appendix 23.

#### 7.5.1.4 Holistic understanding of Question 27

The results indicate that the Cronbach alpha was 0.81 for the said dependent variable (dimension sub-element). Considering though that alpha is greater than 0.70, but because Cronbach's alpha increases as the number of items increases, which tends to inflate alpha, split-half reliability testing was undertaken as an alternative to alleviate the problem.

##### 7.5.1.4.1 *Split-half testing reliability of Holistic understanding*

The tests undertaken showed the Guttman split-half coefficient to be 0.84. Thus, the Guttman split-half coefficient was greater than 0.7, and it can be concluded that this construct can be deemed reliable.

#### 7.5.1.5 Creativity

The results indicate that the Cronbach alpha was 0.42 for the said dependent variable (dimension sub-element). Considering though that alpha is less than the lenient 0.60, it can be deemed that this construct is not reliable.

#### 7.5.1.6 Vision

The results indicate that the Cronbach alpha was 0.62 for the said dependent variable (dimension sub-element). Considering though that alpha is greater than the lenient 0.60, it can be deemed that this construct is marginally reliable.

A summary of the reliability results is depicted in Table 7.4.

**Table 7.4: Reliability of original dependent variable  
(dimension sub-elements)**

Number	Variable	Cronbach $\alpha$	Split-half	Decision
7.5.1.1	Foster strategic dialogue (ref. Section 4.3.2.2.1)	0.80		Split-half
7.5.1.1.1	Foster strategic dialogue		0.83.	Reliable
7.5.1.2	Exploit ingenuity (ref. Section 4.3.2.2.2)	0.80		Split-half
7.5.1.2.1	Exploit ingenuity		0.68	Reliable
7.5.1.3	Holistic understanding (ref. Section 4.3.2.1.1)	0.81		Split-half
7.5.1.3.1	Holistic understanding		0.84	Reliable
7.5.1.4	Creativity (ref. Section 4.3.2.1.2)	0.42		<i>Not</i> reliable
7.5.1.5	Vision (ref. Section 4.3.2.1.3)	0.62		Reliable

Overall, the original dependent variables (dimension sub-elements) of strategic behaviour were deemed reliable; with the exception of creativity which was deemed not to be reliable (which may be due to the relatively limited number of question items included to measure this dimension sub-element).

## 7.6 VALIDITY OF THE RESEARCH INSTRUMENT

Validity, note Saunders, Lewis and Thornhill (2003: 205, 492), is the extent to which data collection methods accurately measure what they intended to measure; and validity is the extent to which research findings are really what they claim to be. Validity is described by Adendorff (2005: 366) as the ability of a construct's indicators to measure accurately the concept under study. Validity is determined largely by the researcher, but the original definition of the construct (or concept) is proposed by the researcher and must be matched to

the selected indicators or measures. Validity however does not guarantee reliability, and *vice versa*. Furthermore, continues Adendorff (2005: 366), a “measure may be accurate (valid) but not consistent (reliable) and it may be consistent, but not accurate”. Reliability and validity is thus considered as two separate but interrelated conditions. Both the reliability and validity, in particular of questions 26 and 27 of the research instrument, need to be assessed before the study can proceed to assessing the relationship between the independent and dependent variables of the *a priori* model.

Adendorff (2005: 366) argues that a measuring instrument is considered to exhibit construct validity if the scale has both convergent and discriminant validity. It is further stated that a scale has convergent validity when the construct measured exhibits a strong association with measures of other similar constructs, with these measured constructs expected to be related, on theoretical grounds. Discriminant validity refers to the degree to which the instrument shows a construct separating and to be distinct from the other constructs. Factor analysis is a technique which researchers can use to analyse if variables are associated with each other and can then be brought together with other variables that evaluate and measure the same dimension or variable.

### **7.6.1 Factor analysis**

In view of the aforementioned discussion, factor analysis was considered to measure whether the dependent variables of the instrument exhibit construct validity.

“*Factor analysis* is used to uncover the latent structure (dimensions) of a set of variables. It reduces attribute space from a larger number of variables to a smaller number of factors and as such is a “non-dependent” procedure (that is, it does not assume a dependent variable is specified). Factor analysis has a number of uses of which the following may have relevance for the purposes of this study:

- “To select a subset of variables from a larger set, based on which original variables have the highest correlations with the principal component factors;

- To validate a scale or index by demonstrating that its constituent items load on the same factor, and to drop proposed scale items which cross-load on more than one factor;
- To establish that multiple tests measure the same factor, thereby giving justification for administering fewer tests; and
- To identify clusters of cases and/or outliers” states Statistics Solutions, 2007: internet.

The key approaches to factor analyses are indicated as:

- **Exploratory factor analysis** (EFA) states Statistics Solutions (2007: internet) “seeks to uncover the underlying structure of a relatively large set of variables. The researcher's *à priori* assumption is that any indicator may be associated with any factor. This is the most common form of factor analysis. There is no prior theory and one uses factor loadings to intuit the factor structure of the data” (refer to Appendices 17 & 18).
- **Confirmatory factor analysis** (CFA) states Statistics Solutions (2007: internet) “seeks to determine if the number of factors and the loadings of measured (indicator) variables on them conform to what is expected on the basis of pre-established theory. Indicator variables are selected on the basis of prior theory and factor analysis is used to see if they load as predicted on the expected number of factors. The researcher's *a priori* assumption is that each factor (the number and labels of which may be specified *a priori*) is associated with a specified subset of indicator variables. A minimum requirement of confirmatory factor analysis is that one hypothesises beforehand the number of factors in the model, but usually also the researcher will posit expectations about which variables will load on which factors. The researcher seeks to determine, for instance, if measures created to represent a latent variable really belong together”.

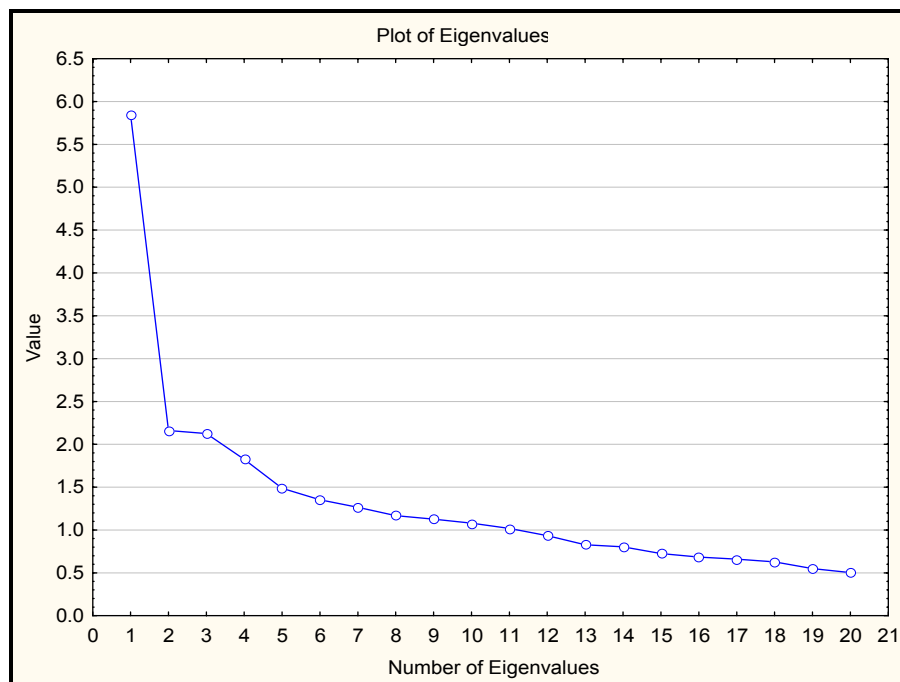
The decision to conduct Confirmatory Factor Analysis (CFA) was precluded from being utilised further by the study. This was due to the relation of the number of items included in the study and the number of respondents not being enough to conduct a meaningful CFA.

Exploratory Factor Analysis (EFA) was thus deemed a more suitable statistical recourse for this study. Data from the constructs (refer to Table 7.3) of question 26 and question 27 were

subjected to the EFA procedure (ref. Appendix 17); and with the constructs derived from the EFA procedure subjected to reliability testing (ref. Appendix 18). All relevant statistics, including factor loadings, are included in Appendices 17 and 18.

#### 7.6.1.1 Exploratory factor analysis of the constructs of questions 26 and 27

##### 7.6.1.1.1 Exploratory factor analysis: Foster strategic dialogue



**Figure 7.3: Scree plot of Eigen values of question 26  
(strategic dialogue)**

The scree plot, as depicted in Figure 7.3, involves finding the place where the smooth decrease of Eigen values appears to level off to the right of the plot. To the right of this point, presumably, one finds only "factorial scree" ("scree" is the geological term referring to the debris which collects on the lower part of a rocky slope) (StatSoft, 2007: internet). The scree plot thus gives guidance to the number of factors. To determine the number of factors to extract, the scree plot suggested that two factors be extracted for this construct.

A visual inspection of the correlations (ref. Appendix 18) revealed a substantial number of items greater than deemed cut-off guideline of 0.25, indicating that factor analysis was appropriate. The cut-off guideline was however relaxed in certain cases to include certain question items as these were deemed to be aligned with the dependent variable theory of the *a priori* model. Items 26.14, 26.37 and 26.46 were deemed to cross-load (viz. loaded on both factors). After closer inspection, 26.37 was deemed to be more theoretically aligned under factor one, and items 26.14 and 26.46 were deemed to be more theoretically aligned under factor two. Item 26.14 loaded equally under both factor, however, was deemed more theoretically aligned under factor two. All items with loadings of less than the 0.25 guideline were not included for further analysis.

The construct “**fostering strategic dialogue**” items (ref. Appendix 18) loaded on to two factors with items with the  $p > 0.25$  guideline showing significance. Factor 1 was renamed “**planning focus**” and Factor 2 was renamed “**synergistic business development**”.

#### 7.6.1.1.2 Exploratory factor analysis: Exploit ingenuity

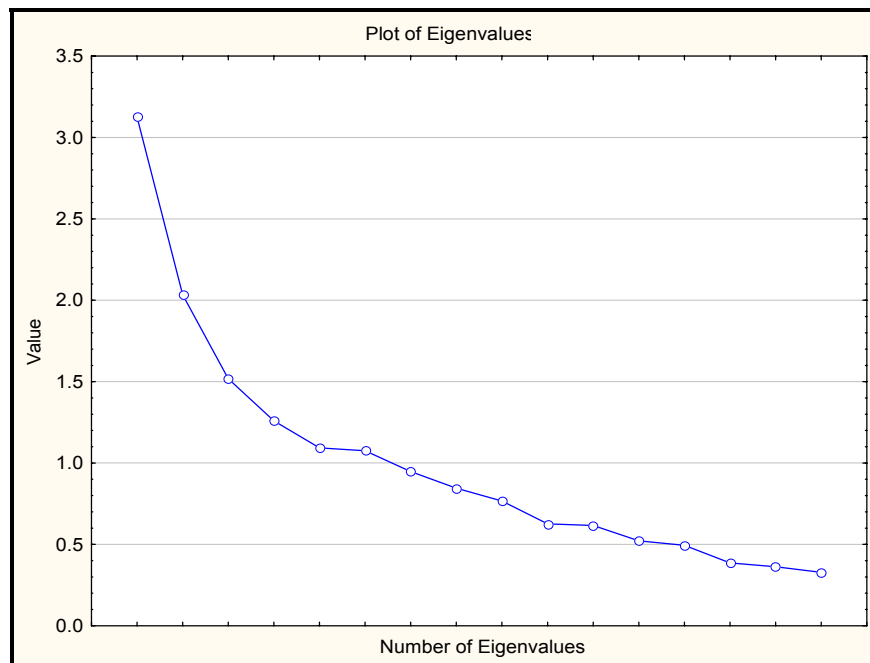


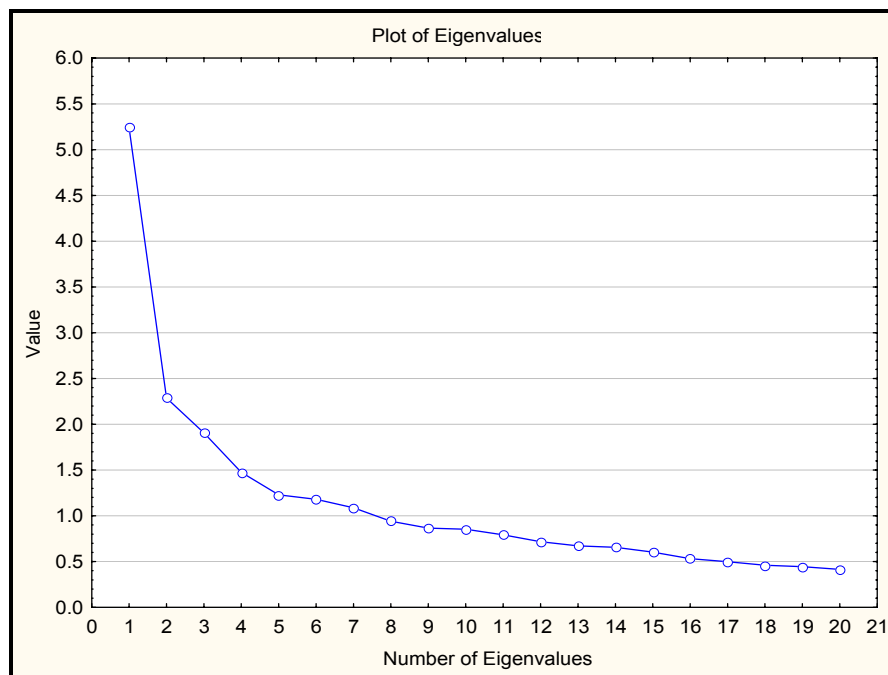
Figure 7.4: Scree plot of Eigen values of question 26 (exploit ingenuity)



The scree plot, as depicted in Figures 7.4, for the construct “**exploit ingenuity**” items (ref. Appendix 18) suggests that only one factor could be extracted for this construct.

A visual inspection of the correlations (ref. Appendix 18) revealed a substantial number of items greater than the 0.25 guideline, indicating that that factor analysis was appropriate. All items with loadings less than the 0.25 guideline were not included in further analysis.

#### 7.6.1.1.3 *Exploratory factor analysis: Holistic understanding*



**Figure 7.5: Scree plot of Eigen values of question 26 (holistic understanding)**

The scree plot, as depicted in Figures 7.5, involves finding the place where the smooth decrease of Eigen values appears to level off to the right of the plot (StatSoft, 2007: internet). The scree plot suggests that two factors could be extracted for this construct. A visual inspection of the correlations (ref. Appendix 18) revealed a substantial number of items greater than the 0.25 guideline, indicating that the factor analysis was appropriate. Items 27.1, 27.17 and 24.24 were deemed to cross-load (viz. loaded on both factors). After closer inspection,

27.1 was deemed to be more theoretically aligned under factor one, and items 27.17 and 27.24 were deemed to be more theoretically aligned under factor two. All items with loadings less than the 0.25 guideline were not included for further analysis.

The construct “**holistic understanding**” items loaded on to two factors with items  $p > 0.25$  guideline showing significance. Factor 1 was renamed “**task environment awareness**” and Factor 2 was renamed “**gather and sharing marketing intelligence**”.

#### *7.6.1.1.4 Exploratory factor analysis: Creativity*

The construct “creativity” due to containing only a limited number of items could not undergo factor analysis.

#### *7.6.1.1.5 Exploratory factor analysis: Vision*

The construct “**vision**” due to containing only a limited number of items could not undergo factor analysis.

### **7.6.2 Reliability testing of the new constructs**

Reliability (ref. Section 7.4 Introduction), according to Hair, Anderson and Tatham (1998) (as in Adendorff, 2005: 365), is “the degree to which a set of latent construct indicators are consistent in their measurements”. Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made (Adendorff, 2005: 384). The reliability (or internal consistency) estimate (Cronbach alpha) of the newly created constructs, through Exploratory Factor Analysis, as detailed in Sections 7.6.1.1.4 and 7.6.1.1.5, needed to be determined. Consequently, the four new constructs, namely, **Planning focus** and **Synergetic business Development** (of question 26: foster strategic dialogue); and, **Task environment awareness**, and **gathering and sharing market intelligence** (of question 26: holistic understanding) were new constructs that had not been tested before, as individual entities, although many of the constituent questions items of the said new constructs may have originated from other validated research instruments (refer to Appendix 19).

#### 7.6.2.1 Foster strategic dialogue new construct: Planning focus

The Cronbach alpha for “planning focus” was determined to be 0.84. Considering though that the alpha is greater than 0.70, and because Cronbach alpha increases as the number of items increases, which tends to inflate alpha, split-half reliability testing was undertaken to alleviate the problem.

The problem of inflating the alpha is further aggravated as the reliability is performed on the same data from which the factor structure was derived; the alpha values will all be inflated.

The tests undertaken showed the Guttman split-half coefficient to be 0.91. Thus, it can be concluded that this construct can be deemed reliable.

#### 7.6.2.2 Foster strategic dialogue new construct: Synergistic business development

The Cronbach alpha for “synergetic business development” was determined to be 0.57. Considering though that the alpha is less than 0.70 and 0.60, it can be concluded that this construct can be deemed unreliable

#### 7.6.2.3 Holistic understanding new construct: Task environment awareness

The Cronbach alpha for “task environment awareness” was calculated as 0.76. Considering though that alpha was greater than 0.70, and because Cronbach alpha increases as the number of items increases, which tends to inflate alpha, split-half reliability testing was undertaken to alleviate the problem.

The tests undertaken showed the Guttman split-half coefficient to be 0.68. Thus, it can be concluded that this construct can be deemed reliable.

#### 7.6.2.4 Holistic understanding new construct: Gathering and sharing market intelligence

The Cronbach alpha ( $\alpha$ ) for “gathering and sharing market intelligence” was deemed to be 0.72. Considering though that the alpha is greater than 0.70, it can be concluded that this construct can be deemed reliable.

A summary of the reliability results is provided in Table 7.5.

**Table 7.5: Summary table: reliability of new dependent variable constructs after factor analysis**

Number	Variable	Cronbach $\alpha$	Split-half	Decision
7.6.2.1	Planning Focus	0.84	0.91	reliable
7.6.2.2	Synergistic business development	0.57		unreliable
7.6.2.3	Task environment awareness	0.76	0.68	reliable
7.6.2.4	Gathering and sharing market intelligence	0.72		reliable

## 7.7 ANALYSING THE ASSOCIATION OF THE VARIABLES (OF THE HYPOTHESIS)

The main hypothesis, as indicated in Section 7.2.1, was restated into 6 sub-hypotheses, as set-out in Section 7.2.2. The relationship between the dependent (strategic behaviour) and independent (owner attributes) variables, as depicted in Figure 7.1, will be tested hereafter. For a summary of relevant correlations refer to Table 7.7.

### 7.7.1 Spearman's Rank-Order Correlation Coefficient (Spearman's $\rho$ ) and ANOVA

Spearman's  $\rho$  (rho) is the non-parametric analogue of the Pearson product-moment correlation coefficient. The results of the former and latter are nearly the same, as the Spearman correlation is calculated in a very similar manner as Pearson, except that Spearman first ranks the data (Gigawiz, 2008: internet). Spearman's rho can be thought of as the regular Pearson product-moment correlation coefficient (Pearson  $r$ ); that is, in terms of the proportion of variability accounted for, except that Spearman's rho is computed from ranks. As mentioned above, Spearman's rho assumes that the variables under consideration were measured on at least an ordinal (rank order) scale; that is, the individual observations (cases) can be ranked into two ordered series (StatSoft, 2007: internet). Spearman's rank-order correlation coefficient can assume any value from -1.00 to +1.00 indicating perfect negative correlation and 0 indicating no relationship between the two sets of data (Mason & Lind, 1990: 506).

#### 7.7.1.1 Sub-hypothesis 1: Internal locus of control and strategic behaviour (refer to Appendix 19, Table 1)

At the  $p < 0.05$  significance level, holistic understanding (0.17), vision (0.18), fostering strategic dialogue (0.16), and, gathering and sharing market intelligence (0.17) are considered to have a weak positive correlation with the said independent variable “internal locus of control”. The findings however suggest that there was no significant correlation between other constructs of strategic behaviour elements (creativity, exploiting ingenuity, planning focus, synergistic business development and task environment awareness) and the owner attribute (namely, locus of control).

#### 7.7.1.2 Sub-hypothesis 2: Formal education and strategic behaviour

At the  $p < 0.05$  significance level, holistic understanding (0.23), fostering strategic dialogue (0.33), planning focus (0.35), task environment awareness (0.22), and, gathering and sharing market intelligence (0.17) are considered to have a weak positive correlation with the said independent variable “formal education”. The findings however suggest that there was no significant correlation between other constructs of strategic behaviour elements (exploiting ingenuity, creativity, vision, and, synergistic business development) and the owner attribute (namely, formal education).

#### 7.7.1.3 Sub-hypothesis 3: Prior-experience and strategic behaviour

At the  $p < 0.05$  significance level, holistic understanding (0.18), fostering strategic dialogue (0.19), planning focus (0.21) and, gathering and sharing market intelligence (0.17) are considered to have a weak positive correlation with the said independent variable “prior-experience”. The findings however suggest that there was no significant correlation between other constructs of strategic behaviour elements (exploiting ingenuity, creativity, vision, task environment awareness, and, synergistic business development) and the owner attribute (namely, prior experience).

#### 7.7.1.4 Sub-hypothesis 4: Entrepreneurial reasons for starting a business and strategic behaviour

At the  $p < 0.05$  significance level, exploiting ingenuity (0.22), holistic understanding (0.24), creativity (0.21), vision (0.25), fostering strategic dialogue (0.27), planning focus (0.24), synergistic business development (0.33) and, task environment awareness (0.33) are considered to have a weak positive correlation with the said independent variable “entrepreneurial reasons for starting a business”. The findings however suggest that there was no significant correlation between other construct of strategic behaviour elements (gathering and sharing market intelligence) and the owner attribute (namely, entrepreneurial reasons for starting a business).

#### 7.7.1.5 Sub-hypothesis 6: Holistic profiles and strategic behaviour

At the  $p < 0.05$  significance level, exploiting ingenuity (0.29), holistic understanding (0.26), creativity (0.19), vision (0.19), fostering strategic dialogue (0.32), planning focus (0.33), synergistic business development (0.21) task environment awareness (0.19), and, gathering and sharing market intelligence (0.24) are considered to have a weak positive correlation with the said independent variable “internal locus of control”.

#### 7.7.1.6 Sub-hypothesis 5: Risk-seeking profiles and strategic behaviour

The data from the risk seeking (or risk propensity) owner attribute, for the purpose of further analysis, was considered as being binary by nature because only one question item (questionnaire item 22.3) measured risk seeking behaviour and all other items related to this question measured risk-averse behaviour. Consequently, One-way Analysis of Variance was considered the appropriate statistical test for this aspect of the study.

##### 7.7.1.6.1 *Analysis of Variance (ANOVA)*

Analysis of Variance (ANOVA) is a general method for studying sampled-data relationships. The method enables the difference between two or more sample means to be analysed, achieved by subdividing the total sum of squares. One-way ANOVA is the simplest case, the purpose is to test for significant differences between class means, and this is done by analysing

the variances (Shutler, 2002: internet). One-way ANOVA tests differences in a single interval dependent variable among two, three, or more groups formed by the categories of a single categorical independent variable. Also known as univariate ANOVA, simple ANOVA, single classification ANOVA, or one-factor ANOVA, this design deals with one independent variable (also called "factors") and one dependent variable. It tests whether the groups formed by the categories of the independent variable seem similar (specifically that they have the same pattern of dispersion as measured by comparing estimates of group variances). If the groups seem different, then it is concluded that the independent variable has an effect on the dependent (Statistics Solutions, 2007a: internet). If the group means do not differ significantly then it is inferred that the independent variable(s) do not have an effect on the dependent variable. The ANOVA p-value indicates the probability of getting a mean difference between the groups as high as what is observed by chance. The lower the p-value, the more significant the difference between the groups (Silicon Genetics, 2003: 4).

Taking in consideration the aforementioned discussion, the ANOVA statistical tests were executed involving the risk seeking (or risk propensity) owner attribute with the nine sub-dimensions elements (which also include the original two sub-dimensions elements, that later through exploratory factor analysis, factored into four new sub-dimensions elements) of strategic behaviour. Thus, in this case, ANOVA tests were conducted between risk-seeking profiles of respondent's/ owner attributes (or the so-called independent variables), and the nine sub-dimensions elements (creativity, exploiting ingenuity, fostering strategic dialogue, holistic understanding, planning focus, synergistic business development, task environment awareness, gathering and sharing market intelligence, and vision) of strategic behaviour manifestations (as in questions 26 and 27) (or the so-called dependent variables). The discussion hereafter refers only to ANOVA findings where risk propensity behaviour (independent variable) is deemed to have a significant effect on the dependent sub-dimensions elements. The ANOVA findings where risk seeking behaviour (independent variable) is deemed not to have a significant effect on the dependent sub-dimensions elements are included in Appendix 19.

## 7.7.1.6.1.1 Analysis of variance (ANOVA): Holistic understanding and risk seeking

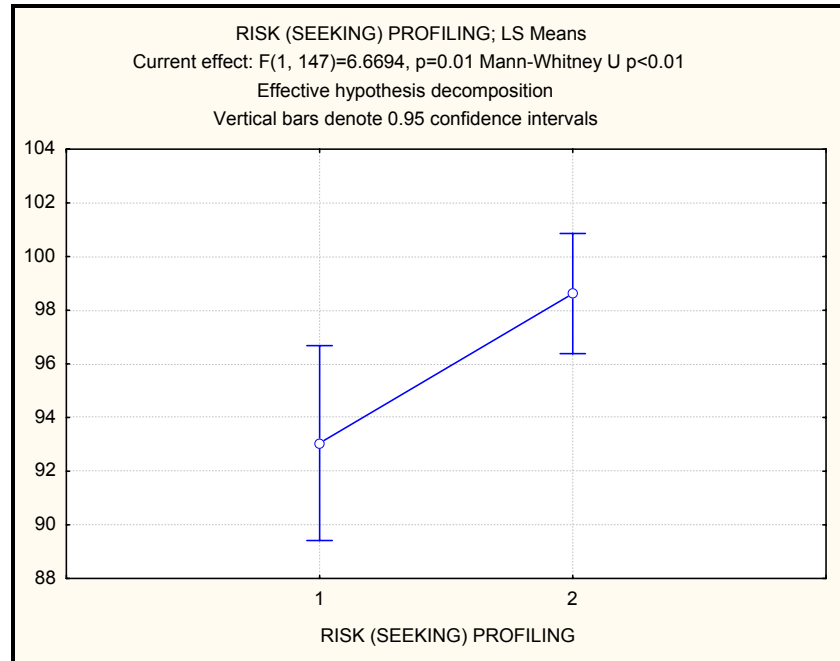


Figure 7.6.1: ANOVA: risk seeking behaviour and holistic understanding

Table 7.6.1: ANOVA - risk seeking behaviour and holistic understanding

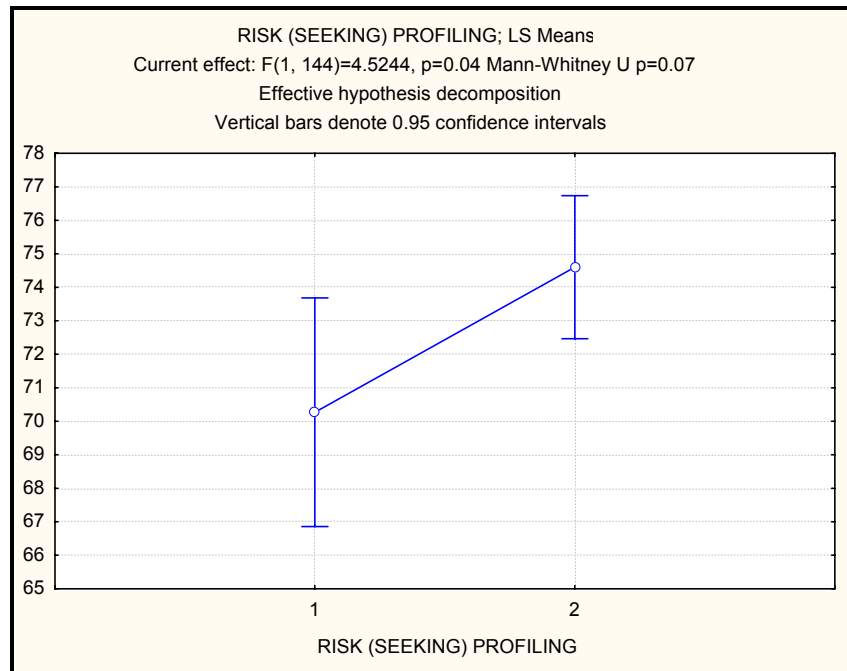
Cell No.	RISK-SEEKING (PROFENSITY) PROFILING; Ls Means					
	Current effect: $F(1, 147)=6.66$ , $p= .010$					
	Effective hypothesis decomposition					
	RISK-SEEKING (PROFENSITY) PROFILING	Holistic understanding Mean	Holistic understanding Std. Err.	Holistic understanding -95.00%	Holistic understanding +95.00%	N
1	1	93.04	1.83	89.41	96.67	41
2	2	98.62	1.13	96.38	100.85	108

The ANOVA output for holistic understanding (at individual level) and risk-seeking profiles of owners is depicted in Figure 7.6.1 and Table 7.6.1. Since the F-statistic of 6.66 is significant at the  $p < 0.01$  significance level (a 1% risk to conclude that the null hypothesis is not valid), indicating a significant difference between the two cells, namely the average score for cell two



is significantly higher than for group one with a ANOVA mean of 98.62 in cell 2 and 93.05 in cell 1. This implies that there is evidence that there are differences in the means across groups and it is concluded that the independent variable (risk-seeking profiles) has a significant positive effect on the dependent variable (holistic understanding). Thus, for the purposes of this study there is an overall significant relationship between holistic understanding (at individual level) and risk-seeking behaviour. Consequently, the alternative sub-hypothesis is accepted.

#### 7.7.1.6.1.2 Planning focus and risk seeking



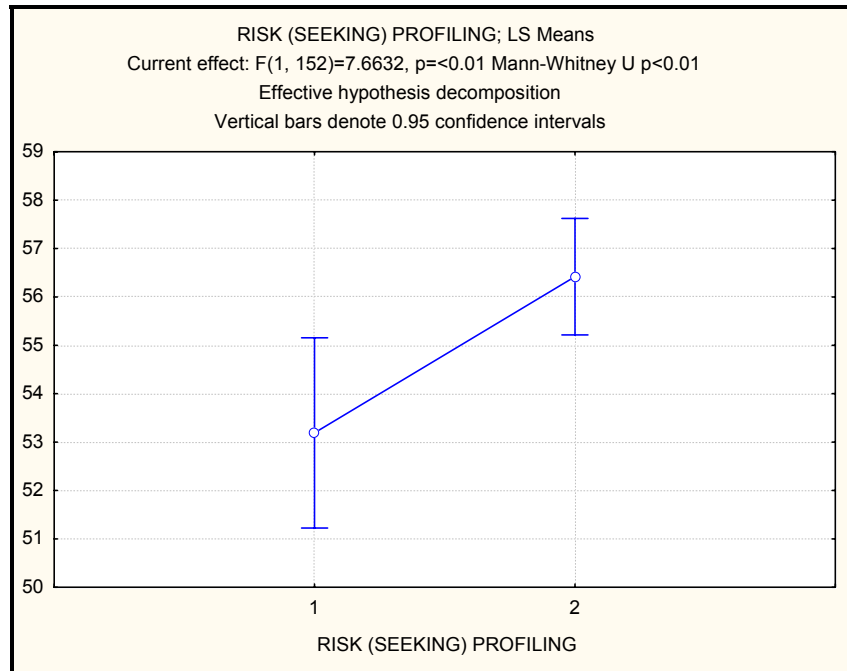
**Figure 7.6.2 ANOVA: risk seeking behaviour and planning focus**

**Table 7.6.2: ANOVA-risk seeking behaviour and planning focus**

Cell No.	<b>RISK-SEEKING (PROPENSITY) PROFILING; Ls Means</b> <b>Current effect: F(1, 144)=4.52, p= .035</b> <b>Effective hypothesis decomposition</b>					
	<b>RISK-SEEKING (PROPENSITY) PROFILING</b>	<b>Long-term planning &amp; benchmarking Mean</b>	<b>Long-term planning &amp; benchmarking Mean St. Err.</b>	<b>Long-term planning &amp; benchmarking Mean -95.00%</b>	<b>Long-term planning &amp; benchmarking Mean +95.00%</b>	<b>N</b>
1	1	70.26	1.72	66.85	73.68	<b>41</b>
2	2	74.60	1.07	72.46	76.73	<b>105</b>

The ANOVA output for planning focus (at organisational level) and risk-seeking profiles of owners is depicted in Figure 7.6.2 and Table 7.6.2. Since the F-statistic of 4.52 is significant at the  $p < 0.05$  significance level (a 5% risk to conclude that the null hypothesis is wrong), indicating a significant difference between the two cells with the average score for cell two being significantly higher than for cell one with an ANOVA mean of 70.27 in cell 1 and 74.60 in cell 2. This implies that there is evidence that there are differences in the means across groups and it is concluded that the independent variable (risk-seeking profiles) has a significant positive effect on the dependent variable (planning focus) Thus, for the purposes of this study there is an overall significant relationship between planning focus (at organisational level) and risk-seeking behaviour. Consequently, the alternative sub-hypothesis is accepted.

### 7.7.1.6.1.3 Analysis of Variance (ANOVA): task environment awareness and risk seeking



**Figure 7.6.3 ANOVA: risk seeking behaviour and planning focus**

**Table 7.6.3: ANOVA: risk seeking behaviour and task environment awareness**

Cell No.	RISK-SEEKING (PROPENSITY) PROFILING; Ls Means					
	Current effect: $F(1, 152)=7.66, p=.006$					
	Effective hypothesis decomposition					
	RISK-SEEKING (PROPENSITY) PROFILING	Customer and competitor awareness Mean	Customer and competitor awareness Mean St. Err.	Customer and competitor awareness Mean -95.00%	Customer and competitor awareness Mean +95.00%	N
1	1	53.19	0.99	51.22	55.15	42
2	2	56.41	0.60	55.21	57.62	112

The ANOVA output for task environment awareness (at individual level) and risk-seeking profiles of owners is depicted in Figure 7.6.3 and Table 7.6.3. Since the F-statistic of 7.66 is significant at the  $p < 0.01$  significance level (a 1% risk to conclude that the null hypothesis is

wrong), indicating a significant difference between the two cells with the average score for cell two being significantly higher than for cell one with an ANOVA mean of 53.19 in cell 1 and 56.42 in cell 2. This implies that there is evidence that there are differences in the means across groups and it is concluded that the independent variable (risk-seeking profiles) has a significant positive effect on the dependent variable (task environment awareness). Thus, for the purposes of this study there is an overall significant relationship between task environment awareness (at individual level) and risk-seeking behaviour. Consequently, the alternative sub-hypothesis is accepted.

#### 7.7.1.6.2 ANOVA: summary

The results of the ANOVA calculations where significant and no significant differences between groups were evidenced between risk-seeking behaviour and the various strategic behaviour dependent sub-dimensions elements is summarised in Table 7.6.4.

**Table 7.6.4: ANOVA - Summary of all dependent variable constructs with risk seeking behaviour**

	Mean Cell 1	Mean Cell 2	p-value	Significant difference
Exploiting ingenuity	62.27	62.93	0.61	NO
<b>Holistic understanding</b>	<b>93.05</b>	<b>98.62</b>	<b>0.01</b>	<b>YES</b>
Creativity	12.02	12.63	0.14	NO
Vision	15.84	16.65	0.18	NO
Fostering strategic dialogue	107.56	111.63	0.09	NO
<b>Planning focus</b>	<b>70.27</b>	<b>76.6</b>	<b>0.04</b>	<b>YES</b>
Synergistic business development	30.79	31.14	0.55	NO
<b>Task environment awareness</b>	<b>53.19</b>	<b>56.42</b>	<b>0.006</b>	<b>YES</b>
Gathering and sharing market intelligence	29.44	30.79	0.23	NO

Thus, this implies that there is evidence that there are differences in the means across some groups. It can be concluded that the independent variable (risk-seeking profiles) has a

significant positive effect on certain dependent variables (dimension sub-elements), namely holistic understanding, planning focus, and task environment awareness. These results can be interpreted as SMMTE owners being inclined towards risk seeking propensity behaviour when needing to consider their businesses holistically, have risk seeking propensity when planning (planning focus) within their businesses, and, have risk seeking propensity when dealing with various business issues within their task environment (task environment awareness).

#### 7.7.1.7 Summary of results: analysing the associations of the variables

An overall summary of the associations of the variables (of the hypothesis testing results) is provided in Table 7.7:

**Table 7.7: Summary of the correlations between the variables (in brackets)**

Number	Sub-Hypothesis	p<0.05 significance level
7.7.1.1	1: internal locus of control	holistic understanding (0.17), vision (0.18), fostering strategic dialogue (0.16), and, gathering and sharing market intelligence (0.17)
7.7.1.2	2: formal education	holistic understanding (0.23), fostering strategic dialogue (0.33), planning focus (0.35), task environment awareness (0.22), and, gathering and sharing market intelligence (0.17)
7.7.1.3	3: prior-experience	holistic understanding (0.18), fostering strategic dialogue (0.19), planning focus (0.21) and, gathering and sharing market intelligence (0.17)
7.7.1.4	4: entrepreneurial reasons for starting a business	exploiting ingenuity (0.22), holistic understanding (0.24), creativity (0.21), vision (0.25), fostering strategic dialogue (0.27), planning focus (0.24), synergistic business development (0.33) and, task environment awareness (0.33)
7.7.1.5	5: holistic profiles	exploiting ingenuity (0.29), holistic understanding (0.26), creativity (0.19), vision (0.19), fostering strategic dialogue (0.32), planning focus (0.33), synergistic business development (0.21) task environment awareness (0.19), and, gathering and sharing market intelligence (0.24)
7.7.1.6	6: risk-seeking profiles	Refer to Table 7.6.4: ANOVA results

The findings of this study support that there is a significant positive relationship between the attributes of SMMTE owners and a number of sub-dimensions elements of strategic behaviour. **Internal locus of control** affects the way SMMTE owners perceive holistic understanding,

formulate their vision, foster strategic dialogue and gather and share marketing intelligence of their businesses. **Formal education** seemingly fosters that SMMTE owners have holistic understanding, strategic dialogue abilities, planning abilities, task environment awareness and the ability to gather and share market intelligence. **Prior-experience** of SMMTE owners seemingly enables holistic understanding, the fostering of strategic dialogue, the ability to focus on planning, and, to gather and share market intelligence. **Entrepreneurial reasons for starting a business** seemingly motivate SMMTE owners to exploit ingenuity, have a holistic understanding, enable creativity, have a vision, fostering strategic dialogue, have a planning focus, synergistic business development, and, have a task environment awareness. **Holistic profiles** seemingly affect the way SMMTE owners perceive their businesses exploiting ingenuity, having a holistic understanding, creativity, vision, fostering strategic dialogue, planning focus, synergistic business development, task environment awareness, and, gathering and sharing market intelligence. **Risk-seeking profiles** seemingly affect the way SMMTE owners perceive the holistic understanding, planning focus, and task environment awareness of their businesses.

### 7.7.2 Regression analysis

Regression analysis is used to contribute towards understanding how the typical value of the dependent variable changes when any one of the independent variables is varied. Regression is an extension of correlation analysis that will predict the value of one variable (the dependent variable) based on the values of one or more predictor or 'independent' variables. Multiple regression analysis adds more independent variables (Woelfel Research Inc, 2002: internet). R-square is the statistic that provides information about the goodness of fit model. In regression, the R-square coefficient of determination is a statistical measure of how well the regression line approximates the real data points. An R-square of 1.0 indicates that the regression line perfectly modelled the data values. R-square, according to Sixsigmafirst Group, Inc (2005: internet), "measures the proportion in the variation in the Y variable (in the case, the quantity sold) that is explained by variations in the independent factors. Note that R-square is the square of Multiple R, for example, R-square = 0.9468 means that 94.68 percent of the variations in the quantities sold are explained by the independent variables. Furthermore, the

adjusted R-square takes into account the factors that can contribute to inflating the results; it is the R-square minus the inflation factors. When the p – value of a variable is too high (in general more than 0.10), the presence of that variable is considered to have no value for the equation”.

Multicollinearity (also known as collinearity and ill conditioning as per Charnine, 2005: internet) does not adversely affect the regression equation if the purpose of the research is only to predict the dependent variable from a set of predictor variables. In this case the predictions in a regression should still be accurate, and the overall R-square will provide an indication of how well the predictor variables in the model predict the dependent variable. Multicollinearity does not affect the goodness of fit and the goodness of prediction.

Multicollinearity in regression occurs when predictor variables (X) (or independent variables) in a regression model are more highly correlated with other predictor variables than with the dependent variable (Y) according to Braunstein (2007: internet). Multicollinearity, states Motulsky (2002: internet), occurs because two (or more) variables are related and they measure essentially the same thing.

“Multicollinearity means redundancy in a set of variables” emphasises statistics.com (2009: internet), but, writes Wikipedia (2009b: internet), does not reduce the predictive power or reliability of the model as a whole; it only affects calculations regarding individual predictors. In regression, multicollinearity can be a problem, continues Braunstein (2007: internet), if the purpose of a study is to estimate the contributions of individual predictors. When multicollinearity is present, p values can be misleading and the regression coefficients’ confidence intervals will be very wide and may vary dramatically with the addition or exclusion of just one case. If this is the case, removing any highly correlated terms from the model could greatly affect the estimated coefficients of the other highly correlated terms.

Multicollinearity inflates the variances of the parameter estimates. This may lead to lack of statistical significance of individual independent variables even though the overall model may be significant. This is especially true for small and moderate sample sizes. Such problems can result in incorrect conclusions about relationships between independent and dependent variables. If the goal of a study is simply to predict Y from a set of X variables, then

multicollinearity is not a problem. The predictions will still be accurate, and the overall  $R^2$  (or adjusted  $R^2$ ) will quantify how well the model predicts the Y values. If however the goal of a study is to understand how the various X variables impact Y, then multicollinearity will be a challenge indicates Motulsky (2002: internet). The solution states Motulsky (2002: internet) would be to understand the causes of multicollinearity and remove it: if one of the variables doesn't seem logically essential in the model, removing it may reduce or eliminate multicollinearity; a further option would be for the study to find a way to combine the variables (for example, if height and weight are collinear independent variables, perhaps it would make scientific sense to remove height and weight from the model, and use surface area (calculated from height and weight) instead) and, furthermore, it is recommended that the impact of multicollinearity can be reduced by increasing the sample size.

The beta weights, according to Garson (2007: internet), are “the regression (*b*) coefficients for standardized data. Beta is the average amount the dependent increases when the independent increases one standard deviation and other independent variables are held constant. If an independent variable has a beta weight of 0.5, this means that when other independents are held constant, the dependent variable will increase by half a standard deviation (0.5 also)”. The ratio of the beta weights is the ratio of the predictive importance of the independent variables. It is noted that the betas will change if variables or interaction terms are added or deleted from the equation. Reordering the variables without adding or deleting will not affect the beta weights. That is, the beta weights help assess the unique importance of the independent variables relative to the given model embodied in the regression equation. Note that adding or subtracting variables from the model can cause the *b* and beta weights to change markedly, possibly leading the researcher to conclude that an independent variable that may initially be perceived as unimportant is actually an important variable. The coefficient of non-determination is a measure of the unexplained variation, namely  $1 - R^2$ .



## 7.7.2.1 Exploit ingenuity

**Table 7.8.1: Regression summary for dependent variable - exploiting ingenuity**

N=127	R=.39 R <sup>2</sup> =.15 Adjusted R <sup>2</sup> = .11					
	F(6, 120)=3.62 p<.002 Std. Error of estimate: 6.46					
	Beta	Std. Err. of Beta	B	Std. Err. of B	T(120)	p-level
Intercept			49.91	4.09	12.18	0.00
INTERNAL LOCUS OF CONTROL	0.14	0.08	0.77	0.46	1.68	0.09
FORMAL EDUCATION	0.20	0.10	0.63	0.32	1.95	0.05
PRIOR EXPERIENCE	-0.08	0.10	-0.32	0.43	-0.74	0.45
REASONS FOR A BUSINESS	0.15	0.09	1.05	0.68	1.54	0.12
RISK-SEEKING (PROPENSITY) PROFILING	-0.11	0.08	-1.83	1.38	-1.32	0.18
CONCEPTUAL CAPABILITIES	0.24	0.09	2.26	0.92	2.44	0.01

The multiple regression output, for exploiting ingenuity (at organisational level) (the said dependent variables), as depicted in Table 7.8.1 indicated that, at the  $p < 0.05$  significance level, the R-square is 0.153 which implies that 15.3 percent of variation in exploiting ingenuity can be explained by the independent variables. This implies that nearly 85 percent of variations are measured by other unknown independent variables. Thus, the current independent variables are not good predictors of the dependent variable, exploit ingenuity (at organisational level). The **beta weights** (at the  $p < 0.05$  significance level) in Table 7.8.1 further indicate that **internal locus of control** (0.14) at  $p < 0.10$  significance level, **formal education** (0.21) at  $p < 0.10$  significance level and **conceptual capabilities** (0.24) at  $p < 0.05$  significance level make a significant contribution toward predicting the dependent variable, namely **exploiting ingenuity (at organisational level)**. Although the results indicate some multicollinearity, this is likely due to the small target sample size of the study; the theory warrants the retention of the said three independent variables as significant predictors.

## 7.7.2.2 Holistic understanding

**Table 7.8.2: Regression summary for dependent variable - holistic understanding**

N=128	R=.38 R <sup>2</sup> =.14 Adjusted R <sup>2</sup> = .10 F(6, 121) p<.0 Std. Error of estimate: 11.56					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(121)	p-level
Intercept			70.07	7.26	9.64	0.00
INTERNAL LOCUS OF CONTROL	0.10	0.08	0.98	0.84	1.17	0.24
FORMAL EDUCATION	0.16	0.10	0.91	0.61	1.47	0.14
PRIOR EXPERIENCE	0.11	0.11	0.83	0.79	1.04	0.29
REASONS FOR A BUSINESS	0.03	0.10	0.45	1.25	0.35	0.71
RISK-SEEKING (PROPENSITY) PROFILING	0.05	0.08	1.42	2.47	0.57	0.56
CONCEPTUAL CAPABILITIES	0.21	0.10	3.48	1.66	2.08	0.03

The multiple regression output, for holistic understanding (at individual level), as depicted in Table 7.8.2, indicated that at the  $p < 0.05$  significance level, R-square is 0.145 which implies that 14.5 percent of variation in holistic understanding can be explained by the independent variables. This implies that nearly 86 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, holistic understanding (at individual level). The **beta weights** (at the  $p < 0.05$  significance levels) in Table 7.8.2 further indicate that **conceptual capabilities** (0.21) at  $p < 0.05$  significance level makes a significant contribution toward predicting the dependent variable, namely, holistic understanding (at individual level).

## 7.7.2.3 Creativity

For the sake of completeness, creativity, is retained although the reliability of the variable is under question.

**Table 7.8.3: Regression summary for dependent variable - creativity**

N=133	R= .29 R <sup>2</sup> =.08 Adjusted R <sup>2</sup> = .04					
	F(6, 126)=1.93 p<.08 Std. Error of estimate: 2.21					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(126)	p-level
Intercept			8.81	1.35	6.47	0.00
INTERNAL LOCUS OF CONTROL	0.05	0.08	0.09	0.15	0.61	0.54
FORMAL EDUCATION	0.08	0.10	0.09	0.11	0.84	0.40
PRIOR EXPERIENCE	0.10	0.10	0.13	0.14	0.95	0.33
REASONS FOR A BUSINESS	0.05	0.10	0.12	0.23	0.53	0.59
RISK-SEEKING (PROPENSITY) PROFILING	-0.00	0.09	-0.03	0.46	-0.04	0.93
CONCEPTUAL CAPABILITIES	0.10	0.10	0.59	0.31	1.89	0.06

The multiple regression output, for creativity (at individual level), as depicted in Table 7.8.3, indicated that at the  $p < 0.10$  significance level, R-square is 0.084 which implies that 8.4 percent of variation in creativity can be explained by the independent variables. This implies that nearly 92 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, creativity (at individual level). The beta weights (at the  $p < 0.10$  significance levels) in Table 7.8.3 further indicate that **conceptual capabilities** (0.19) at  $p < 0.10$  significance level make a significant contribution toward predicting the dependent variable, namely creativity (at individual level).

## 7.7.2.4 Vision

**Table 7.8.4: Regression summary for dependent variable - vision**

N=134	R=.33 R <sup>2</sup> =.11 Adjusted R <sup>2</sup> = .06					
	F(6, 127)=2.61 p<.01 Std. Error of estimate: 3.37					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(127)	p-level
Intercept			9.04	2.08	4.34	0.00
INTERNAL LOCUS OF CONTROL	0.18	0.85	0.50	0.23	2.10	0.03
FORMAL EDUCATION	-0.10	0.10	-0.16	0.16	-0.98	0.32
PRIOR EXPERIENCE	0.23	0.10	0.48	0.22	2.21	0.02
REASONS FOR A BUSINESS	-0.00	0.09	-0.03	0.34	-0.09	0.92
RISK-SEEKING (PROPENSITY) PROFILING	0.00	0.08	0.00	0.70	0.01	0.99
CONCEPTUAL CAPABILITIES	0.22	0.09	1.09	0.46	2.33	0.02

The multiple regression output, for vision (at individual level), as depicted in Table 7.8.4, indicated that at the  $p < 0.05$  significance level, R-square is 0.110 which implies that 11 percent of variation in exploit vision can be explained by the independent variables. This implies that nearly 89 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, vision at individual level. The **beta weights** at the  $p < 0.05$  significance levels in Table 7.8.4 further indicate that **internal locus of control** (0.18) at  $p < 0.05$  significance level, **prior-experience** (0.24) at  $p < 0.05$  significance level, and **conceptual capabilities** (0.23) at  $p < 0.05$  significance level make a statistically significant contribution toward predicting the dependent variable, namely vision (at individual level).

## 7.7.2.5 Foster strategic dialogue

**Table 7.8.5: Regression summary for dependent variable - foster strategic dialogue**

N=123	R=.50 R <sup>2</sup> = .25 Adjusted R <sup>2</sup> = .21 F(6, 115) p< .00 Std. Error of estimate: 11.48					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(166)	p-level
Intercept			76.81	7.20	10.66	0.00
INTERNAL LOCUS OF CONTROL	0.17	0.08	1.80	0.83	2.16	0.03
FORMAL EDUCATION	0.33	0.10	2.04	0.62	3.29	0.00
PRIOR EXPERIENCE	-0.00	0.10	-0.05	0.80	-0.06	0.94
REASONS FOR A BUSINESS	0.10	0.09	1.40	1.29	1.07	0.28
RISK-SEEKING (PROPENSITY) PROFILING	-0.08	0.08	-2.37	2.48	-0.95	0.34
CONCEPTUAL CAPABILITIES	0.28	0.09	4.87	1.69	2.86	0.00

The multiple regression output, for foster strategic dialogue (at organisational level), as depicted in Table 7.8.5 indicated that at the  $p < 0.05$  significance level, R-square is 0.256 which implies that 25.6 percent of variation in foster strategic dialogue can be explained by the independent variables. This implies that nearly 74 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, foster strategic dialogue (at organisational level). The **beta weights** at the  $p < 0.05$  significance level in Table 7.8.5 further indicate that **internal locus of control** (0.18) at the  $p < 0.05$  significance level, **formal education** (0.34) at  $p < 0.01$  significance level, and **conceptual capabilities** (0.28) at  $p < 0.05$  significance level make a significant contribution toward predicting the dependent variable, namely foster strategic dialogue (at organisational level). Although, the results indicate some multicollinearity this is likely due to the small target sample size of the study; the theory warrants the retention of the said three independent variables as significant predictors.

## 7.7.2.6 Planning focus

**Table 7.8.6: Regression summary for dependent variable - planning focus**

N=125	R= .50 R <sup>2</sup> = .25 Adjusted R <sup>2</sup> = .21 F(6, 118) p<.0 0 Std. Error of estimate: 10.05					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(118)	p-level
Intercept			43.02	6.30	6.82	0.00
INTERNAL LOCUS OF CONTROL	0.14	0.08	1.27	0.72	1.74	0.08
FORMAL EDUCATION	0.32	0.10	1.71	0.53	3.22	0.00
PRIOR EXPERIENCE	0.03	0.10	0.24	0.69	0.35	0.72
REASONS FOR A BUSINESS	0.03	0.09	0.46	1.13	0.41	0.68
RISK-SEEKING (PROPENSITY) PROFILING	-0.02	0.08	-0.72	2.16	-0.33	0.73
CONCEPTUAL CAPABILITIES	0.31	0.09	4.75	1.48	3.21	0.00

The multiple regression output, for planning focus (at organisational level), as depicted in Table 7.8.6, indicated that at the  $p < 0.01$  significance level, R-square is 0.250 which implies that 25 percent of variation in exploit ingenuity can be explained by the independent variables. This implies that nearly 75 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, planning focus (at organisational level). The **beta weights** (at the  $p < 0.01$  significance level) in Table 7.8.6 further indicate that **internal locus of control** (0.14) at  $p < 0.10$  significance level, **formal education** (0.33) at  $p < 0.01$  significance level, and **conceptual capabilities** (0.31) at  $p < 0.01$  significance level make a significant contribution toward predicting the dependent variable, namely planning focus (at organisational level). Although the results indicate some multicollinearity, this is likely due to the small target sample size of the study; the theory warrants the retention of the said three independent variables as significant predictors.

## 7.7.2.7 Synergistic business development

**Table 7.8.7: Regression summary for dependent variable  
- synergistic business development**

N=131	R= .36 R <sup>2</sup> = .13 Adjusted R <sup>2</sup> = .08 F(6, 124)=3.33 p< .007 Std. Error of estimate: 3.00					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(124)	p-level
Intercept			27.49	1.85	14.84	0.00
INTERNAL LOCUS OF CONTROL	0.11	0.08	0.28	0.21	1.34	0.18
FORMAL EDUCATION	-0.02	0.10	-0.03	0.15	-0.21	0.83
PRIOR EXPERIENCE	-0.02	0.10	-0.04	0.19	-0.24	0.80
REASONS FOR A BUSINESS	0.33	0.09	1.09	0.32	3.37	0.00
RISK-SEEKING (PROPENSITY) PROFILING	-0.13	0.08	-0.95	0.63	-1.48	0.13
CONCEPTUAL CAPABILITIES	0.04	0.09	0.19	0.42	0.45	0.65

The multiple regression output, for synergistic business development (at organisational level), as depicted in Table 7.8.7, indicated that at the  $p < 0.01$  significance level, R-square is 0.131 which implies that 13.1 percent of variation in exploit ingenuity can be explained by the independent variables. This implies that nearly 87 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, synergistic business development (at organisational level). The **beta weights** (at the  $p < 0.01$  significance level) in Table 7.8.7 further indicate that **reasons for starting business** (0.34) at  $p < 0.01$  significance level makes a significant contribution toward predicting the dependent variable.

## 7.7.2.8 Task environment awareness

**Table 7.8.8: Regression summary for dependent variable  
- task environment awareness**

N=132	R=.36 R <sup>2</sup> =.13 Adjusted R <sup>2</sup> = .09 F(6, 125) p< .00 Std. Error of estimate: 6.38					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(125)	p-level
Intercept			43.84	3.98	10.99	0.00
INTERNAL LOCUS OF CONTROL	0.04	0.08	0.26	0.45	0.57	0.56
FORMAL EDUCATION	0.21	0.10	0.66	0.33	1.98	0.04
PRIOR EXPERIENCE	-0.00	0.10	-0.01	0.43	-0.03	0.09
REASONS FOR A BUSINESS	0.19	0.09	1.30	0.67	1.94	0.05
RISK-SEEKING (PROPENSITY) PROFILING	0.10	0.08	1.53	1.35	1.13	0.25
CONCEPTUAL CAPABILITIES	0.04	0.10	0.41	0.91	0.45	0.64

The multiple regression output, for task environment awareness (at individual level), as depicted in Table 7.8.8, indicated that at the  $p < 0.01$  significance level, R-square is 0.132 which implies that 13.2 percent of variation in customer and competitor awareness can be explained by the independent variables. This implies that nearly 87 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, task environment awareness (at individual level). The **beta weights** (at the  $p < 0.10$  significance level) in Table 7.8.8 further indicate that **formal education** (0.21) (at the  $p < 0.05$  significance level) and **reasons for starting a business** (0.19) at the  $p < 0.10$  significance level make a significant contribution toward predicting the dependent variable, namely task environment awareness (at individual level).



## 7.7.2.9 Gathering and sharing market intelligence

**Table 7.8.9: Regression summary for dependent variable  
- gathering and sharing market intelligence**

N=130	R= .30 R <sup>2</sup> = .09 Adjusted R <sup>2</sup> = .04 F(6, 123)=2.10 p< .057 Std. Error of estimate: 6.20					
	Beta	Std. Err. of Beta	B	Std. Err. of B	t(123)	p-level
Intercept			20.29	3.83	5.29	0.00
INTERNAL LOCUS OF CONTROL	0.13	0.08	0.70	0.44	1.56	0.12
FORMAL EDUCATION	0.06	0.10	0.18	0.31	0.57	0.56
PRIOR EXPERIENCE	0.18	0.11	0.68	0.40	1.68	0.09
REASONS FOR A BUSINESS	-0.11	0.10	-0.71	0.66	-1.07	0.28
RISK-SEEKING (PROPENSITY) PROFILING	-0.04	0.09	-0.61	1.31	-0.46	0.64
CONCEPTUAL CAPABILITIES	0.22	0.10	1.97	0.88	2.23	0.02

The multiple regression output, for gathering and sharing market intelligence (at individual level), as depicted in Table 7.8.9, indicated that at the  $p < 0.10$  significance levels, R-square is 0.093 which implies that 9.3 percent of variation in exploit ingenuity can be explained by the independent variables. This implies that nearly 91 percent of variations are measured by other unknown independent variables, thus the current independent variables are not good predictors of the dependent variable, gathering and sharing market intelligence (at individual level). The **beta weights** (at the  $p < 0.10$  significance level) in Table 7.8.9 further indicate that **internal locus control** (0.14) at  $p < 0.10$  significance level, **prior-experience** (0.19) at  $p < 0.10$  significance level and **conceptual capabilities** (0.23) at the  $p < 0.05$  significance level make a significant contribution toward predicting the dependent variable, namely gathering and sharing market intelligence (at individual level).

## 7.7.2.10 Synopsis of the regression analysis results

**Table 7.9.1: Composite table - regression analysis results for the dependent variables**

Section	Dependent variable (at the $p < 0.10$ )	R-square	beta weights
7.8.1	Exploit ingenuity	0.153	internal locus of control (0.14), formal education (0.21) and conceptual capabilities (0.24)
7.8.2	Holistic understanding	0.145	conceptual capabilities (0.21)
7.8.3	Creativity	0.084	conceptual capabilities (0.19)
7.8.4	Vision	0.110	internal locus of control (0.18), prior-experience (0.24) and conceptual capabilities (0.23)
7.8.5	Foster strategic dialogue	0.256	internal locus of control (0.18), formal education (0.34) and conceptual capabilities (0.28)
7.8.6	Planning focus	0.250	internal locus of control (0.14), formal education (0.33) and conceptual capabilities (0.31)
7.8.7	Synergistic business development	0.131	reasons for starting business (0.34)
7.8.8	Task environment awareness	0.132	formal education (0.21) and reasons for starting a business (0.19)
7.8.9	Gathering and sharing market intelligence	0.093	internal locus control (0.14), prior-experience (0.19) and conceptual capabilities (0.23)

**Table 7.9.2: Composite table - regression analysis re-arranged by independent variable**

Number	Sub-Hypothesis	$p < 0.10$ significance level
7.7.1.1	1. internal locus of control	exploit ingenuity; vision; foster strategic dialogue; planning focus; gathering and sharing market intelligence
7.7.1.2	2: formal education	exploit ingenuity; foster strategic dialogue; planning focus; task environment awareness
7.7.1.3	3: prior-experience	vision; gathering and sharing market intelligence
7.7.1.4	4: entrepreneurial reasons for starting a business	synergistic business development; task environment awareness
7.7.1.5	5: holistic profiles	exploit ingenuity; holistic understanding; vision; foster strategic dialogue; planning focus; creativity
7.7.1.6	6: risk-seeking profiles	none

### 7.7.3 Synopsis: analysing the association of the variables (of the hypothesis)

**Table 7.10: Composite table of the associations of the variables (Tables 7.7 and 7.9.2)**

Sub-Hypothesis	Spearman's Rank-Order Correlation Coefficient (Spearman's $\rho$ ) and ANOVA	Regression analysis	Statistically significant results of Spearman's $\rho$ and regression analyses
	At $p < 0.05$ significance level	At $p < 0.05$ or 0.10 significance levels	
1: internal locus of control	holistic understanding (0.17), <b>vision</b> (0.18), <b>fostering strategic dialogue</b> (0.16), and, <b>gathering and sharing market intelligence</b> (0.17)	exploit ingenuity; <b>vision</b> ; <b>foster strategic dialogue</b> ; planning focus; <b>gathering and sharing market intelligence</b>	<b>Vision</b> ; <b>Foster strategic dialogue</b> ; <b>Gathering and sharing market intelligence</b> ;
2: formal education	<b>holistic understanding</b> (0.23), <b>fostering strategic dialogue</b> (0.33), <b>planning focus</b> (0.35), <b>task environment awareness</b> (0.22), and, gathering and sharing market intelligence (0.17)	exploit ingenuity; <b>foster strategic dialogue</b> ; <b>planning focus</b> ; <b>task environment awareness</b>	<b>Foster strategic dialogue</b> ; <b>Task environment awareness</b>
3: prior-work experience	holistic understanding (0.18), fostering strategic dialogue (0.19), planning focus (0.21) and, <b>gathering and sharing market intelligence</b> (0.17)	vision; <b>gathering and sharing market intelligence</b>	<b>Gathering and sharing market intelligence</b>
4: entrepreneurial reasons for starting a business	exploiting ingenuity (0.22), holistic understanding (0.24), creativity (0.21), vision (0.25), fostering strategic dialogue (0.27), planning focus (0.24), <b>synergistic business development</b> (0.33) and, task environment awareness (0.33)	<b>synergistic business development</b> ; <b>task environment awareness</b>	<b>Synergistic business development</b> ; <b>Task environment awareness</b>
5: holistic profiles	<b>exploiting ingenuity</b> (0.29), <b>holistic understanding</b> (0.26), <b>creativity</b> (0.19), <b>vision</b> (0.19), <b>fostering strategic dialogue</b> (0.32), <b>planning focus</b> (0.33), synergistic business development (0.21) task environment awareness (0.19), and, gathering and sharing market intelligence (0.24)	exploit ingenuity; <b>holistic understanding</b> ; <b>vision</b> ; <b>foster strategic dialogue</b> ; <b>planning focus</b> , <b>creativity</b>	<b>Exploit ingenuity</b> ; <b>Holistic understanding</b> ; <b>Vision</b> ; <b>Foster strategic dialogue</b> ; <b>Planning focus</b> , <b>Creativity</b>
6: risk-seeking propensity	holistic understanding; planning focus; task environment awareness. (ref. Table 7.6.4 - ANOVA results)	none	<b>None</b>

The composite summary of association between the variables (ref. Table 7.10) has revealed overall significant results derived from the Spearman's  $\rho$  and regression analyses concerning the attributes of venture owners and the potential manifestations of strategic behaviour (ref. Table 4.2) within the SMMTEs. The study also notes that a number of the sub-dimension elements of the strategic behaviour construct (ref. Table 7.10) were identified as having no

overall significant relationship with the attributes of the venture owners. The study identified the following significant end-results of the interaction that involves SMMTE owner attributes and the manifestations of strategic behaviour:

- i. The **internal locus of control** owner attribute seemingly affects the strategic behaviour of SMMTE owners as to how they perceive the **vision** of their businesses, how they **foster strategic dialogue** within their ventures, and how they enact the **gathering and sharing of market intelligence** for their businesses.
- ii. The **formal education** owner attribute seemingly fosters **strategic dialogue** with all their key stakeholders and contributing towards the improved **task environment awareness** within SMMTEs.
- iii. The **prior-experience** owner attribute of SMMTE owners seemingly enables the strategic behaviour of SMMTE owners towards an improved **gathering and sharing market intelligence** that is used by SMMTEs.
- iv. The **entrepreneurial reasons for starting a business** owner attribute seemingly motivates the strategic behaviour of SMMTE owners to **synergise business development** activities and contribute towards the improved **task environment awareness** of their businesses.
- v. The **holistic profiles** owner attribute seemingly affects the strategic behaviour of SMMTE owners through enabling them to perceive the **holistic understanding** of their businesses; engendering the **vision** formulation of their businesses; **fostering strategic dialogue**; developing a **planning focus**, and encouraging **creativity** within SMMTEs.
- vi. The **risk-seeking (propensity) profile** owner attribute seemingly **does not have an overall affect** on the strategic behaviour of SMMTE owners in conducting the affairs of their businesses.

## 7.8 SUMMARY

This chapter stated the main research hypothesis, along with its set of sub-hypotheses (ref.

Section 7.2), and then proceeded to investigate a possible relationship between strategic behaviour (the dependent variable) and entrepreneurial attributes (independent variables) using inferential statistics. The relationships and constructs, as depicted in the *a priori* model, were empirically tested through the means of various statistical techniques:

- Reliability testing of the data set was conducted (ref. Section 7.5).
- Validity of the research instrument was determined (ref. Section 7.6).
- Reliability of the new constructs after exploratory factor analysis was determined (ref. Section 7.6.2).
- The relationships between the variables of the hypotheses were tested through Spearman's *rho* and ANOVA (ref. Section 7.7).
- The relationships between the variables of the hypotheses were further tested (ref. Section 7.7.2) through regression analysis.

The reliability (or internal consistency) estimate of the research instrument needed to be determined as two of the question constructs (questions 26 and 27) of the research instrument were new constructs that had not been tested before, as an entity, although many of the constituent question items of the said two constructs may have originated from other validated research instruments. The results of the reliability testing found, overall, that the original dependent variables (dimension sub-elements) of strategic behaviour were deemed reliable; with the exception of creativity which was deemed not to be reliable (which may be due to the relatively limited number of question items included to measure this dimension sub-element).

Validity is described as the ability of a construct's indicators to measure accurately the concept under study. Factor analysis was used to analyse if variables were associated with each other and to determine if they can be brought together with other variables that evaluate and measure the same dimension or variable. Exploratory Factor Analysis (EFA) was deemed a more suitable statistical recourse for this study. Data from the constructs (refer to Table 7.3) of question 26 and question 27 were subjected to the EFA procedure. The items of the construct "**fostering strategic dialogue**" loaded on to two factors with items with the  $p > 0.25$

guideline showing significance: Factor 1 was renamed **“planning focus”** and Factor 2 was renamed **“synergistic business development”**. The items of the construct **“holistic understanding”** loaded on to two factors with items  $p > 0.25$  guideline showing significance: Factor 1 was renamed **“task environment awareness”** and Factor 2 was renamed **“gather and sharing marketing intelligence”**. The constructs **“creativity”** and **“vision”**, due to containing only a limited number of items, could not undergo EFA. The results of the EFA procedure further indicated that for the construct **“exploit ingenuity”** only one factor could be extracted.

Reliability (ref. Section 7.4 Introduction) is the degree to which a set of latent construct indicators are consistent in their measurements. Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made. The reliability (or internal consistency) estimate (Cronbach alpha) of the newly created constructs, through EFA, as detailed in Sections 7.5.2.2.1 and 7.5.2.2.3, needed to be determined. Consequently, the four new constructs, namely **planning focus** and **synergetic business development** (of question 26: foster strategic dialogue); and **task environment awareness**, and **gathering and sharing market intelligence** (of question 26: holistic understanding) were tested for reliability. A summary of the reliability results is provided in Table 7.5 which indicates that of the new constructs assessed, only one, **“synergetic business development”**, was deemed unreliable.

The main hypothesis, as indicated in Section 7.2.1, was restated into 6 sub-hypotheses, as set-out in Section 7.2.2. The relationship between the dependent (strategic behaviour) and independent (owner attributes) variables, as depicted in Figure 7.1, was tested through the Spearman’s Rank-Order Correlation Coefficient (Spearman’s  $\rho$ ) and ANOVA (ref. Section 7.7). The associations that were found to be significant through both these tests were identified and summarised in Table 7.7.

Regression analysis is used to contribute towards understanding how the typical value of the dependent variable changes when any one of the independent variables is varied. Regression is an extension of correlation analysis that predicts the value of one variable (the dependent variable) based on the values of one or more predictor or ‘independent’ variables. Multiple regression analysis adds more independent variables (ref. Section 7.7.2). The independent

variables that make a significant contribution toward predicting the dependent variable were identified and summarised in Section 7.7.2.10.

A further discussion (ref. Section 7.7.3) ensued to analyse the association of the variables (of the hypothesis). The study identified the overall significant end-result associations derived from the Spearman's  $\rho$  and regression analyses concerning the attributes of venture owners and the potential manifestations of strategic behaviour (ref. Table 7.10) within the SMMTEs. These results are summarised Section 7.7.3.

The results in this chapter have produced a foundation for further analysis concerning the attributes of SMMTE entrepreneurs and the manifestation of strategic behaviour within such SMMTEs. The next and final chapter will set out the interpretations of the study's findings with reference to the implications thereof, and make recommendations.

## **CHAPTER 8**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **8.1 INTRODUCTION**

In this final chapter of the study, interpretations are based on the empirical findings as described in the preceding chapters. The findings are evaluated in conjunction with the theory as presented in this study. The implications of the main set of research findings are discussed and recommendations are made.

#### **8.2 OVERVIEW**

SMMTEs form an integral part of many national economies and are the dominant role-players of most tourism economies. The key role of small to medium and micro tourism enterprises (SMMTEs) is recognised by governments, and, international agencies such as UNWTO and European Commission (Tassiopoulos, 2008: 13).

The literature, as discussed in Chapter 2 (Section 2.9), indicates that there are two aspects to SMMTEs that need to be noted: the relative ease of entry into the tourism industry as many of the entrants into the tourism industry come from a wide range of industries, and, the “way of life” motives of prospective entrepreneurs who enter the tourism industry which is seen as offering a better lifestyle and a better standard of living while promising a pleasant work environment and high levels of human interaction. Although the literature does not recommend that experience is a requirement to enter the industry, it does underscore that industry-specific experience is a prerequisite for sustainable success. The study further highlighted the implications of this for the debate on the quality of the tourism product. Chapter 2 (ref. Section 2.9) further indicated that in South Africa, lifestyle factors amongst SMMTEs are found predominantly amongst entrepreneurs of European descent who mostly own accommodation SMMTEs in the Western Cape, KwaZulu Natal (the Midlands area) and Free State provinces. In contrast, economic motives represent the basis of development of the (predominantly black-owned) emerging SMMTE economy which includes the rural areas, such as the Wild Coast in



the Eastern Cape Province with many such tourism entrepreneurs operating at the barest levels of economic survival. Furthermore, although seasonal fluctuations in demand might be problematic for some people who rely on tourism for a living, for others seasonal closures can be a necessary component of living a traditional lifestyle or a benefit for lifestyle orientated SMMTE owners.

The future of global tourism is riddled with ambiguity and uncertainty (ref. Chapter 3, Section 3.1), which also applies largely to the South African tourism economy, and is also true for the way SMMTE strategies emerge. The development of a consistent business strategy is viewed as a highly situational *craft* that is characterised by insightful decisions which dramatically redirect the business's resources toward environmental opportunities. In this light, the focus of the study was primarily on the attributes of SMMTE owners (owner attributes) and how these will manifest preferred strategic behaviour (intermediate outcomes) which in turn will result in preferred consequences, namely success (or failure, which is not preferred) of the SMMTE venture (final outcomes) which in turn reinforces the strategic behaviour of the SMMTE. This study accepted that the strategic behaviour (SB) manifestations of the SMMTE owners are the *dependent variables* and SMMTE owners' attributes are the *independent variables*.

### **8.3 SYNOPSIS: SUMMARY OF THE RESEARCH**

It is within the aforementioned framework that this study was approached. Synoptically, the study proceeded along the following framework:

In Chapter 1 the background to the research problem was sketched in which strategic behaviour was offered as a potential source of success for SMMTEs in order to elevate these businesses to higher levels of success. In this chapter the problem statement was identified, the research problem and question formulated, and the scope of the study was delimited. In addition, the assumptions were identified and discussed. The reasons for undertaking this study were presented, followed by the research design and research method. In conclusion, a conceptual model to support the approach to the research report topic was presented.

Chapter 2 presented a review of the body of literature related to small, micro and medium

tourism enterprises (SMMTEs). Attention was given to defining the industry and its sectors and a discussion was provided in this regard from a national and international perspective. In this way, the importance of SMMTEs to the South African economy was described within an international context. The key attributes of the entrepreneur were discussed. Furthermore, a review of the key concepts of how tourism and entrepreneurship are related was discussed. The intrinsic nature of how a successful tourism destination are dependent on the development of a good mix of factors of which SMMTEs play a central and critical role was emphasised. Furthermore, attention was paid to one of the most important sectors of the tourism industry, the accommodation sector. Particular attention was paid to the bed and breakfast sub-sector that has shown high growth rates during the last 10 years.

In Chapter 3, the emphasis was on strategic behaviour. Strategy is described as an area of study concerned with the management process that emphasises the long-term future of the entire business, and the external environment. The literature findings emphasise getting the strategy right first and later determining the appropriate structure and systems. Strategic behaviour is portrayed as systematic and sequential decision-making process that begins with strategic analysis of the businesses' resources, stakeholder aspirations and environmental situations and then considers the generation, evaluations and choice of strategic development. Thereafter, the strategy is implemented. This implies that the core elements of strategic behaviour are both internal and external, as depicted in Figure 3.3, and should include market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related strategic challenges. Small business strategic behaviour is described (in general) as unstructured, irregular, and incomprehensive, characterising SMME strategising as incremental, sporadic and reactive, overall. The literature on strategy was reviewed and a framework of what constitutes strategic behaviour in SMME was proposed. A holistic approach to the study is suggested involving the examination of activities in all functional areas, assessing the interrelatedness of these and analysing the internal and external factors that influence the strategic behaviour of SMME owners.

Chapter 4 presented a conceptual framework for empirically validating the strategic performance of SMMTEs. In this chapter the conceptual model was presented and conceptual framework was discussed as the basis for the empirical study. The *a priori* model of the study

focused on basically two elements namely, the attributes of the SMMTE owner and the preferred strategic behaviour that is manifested within the SMMTE. The possible preferred relationship between these two main constructs of the *a priori* model was addressed from a theoretical perspective with the basic premise that these in turn would result in preferred consequences, namely success (or failure, which is not preferred) of the SMMTE venture (final outcomes) which in turn would reinforce the strategic behaviour of the SMMTE. There are varying interpretations as to what constitutes success (classified as a final outcome in the conceptual model, Figure 4.2). There are no generally accepted lists of variables that distinguish business success from failure, with prior research having created discrepancies within the literature by citing different variables as contributing to success or failure. For instance, in family ventures, success could be concerned with retaining ownership within the family, maintaining a certain lifestyle, or even growing the business. Consequently, due to the conceptual ambiguity of measuring success, this study rather focused on the relationship between the attributes of the SMMTE owners that produce strategic behaviour and the manifestation of strategic behaviour within SMMTEs (Intermediate outcomes). It thus assumed that if preferred strategic behaviour is applied, it could result in a successful final outcome for the SMMTEs; after all, it is the lead entrepreneur that must be seen to be “taking charge of the success equation”.

In Chapter 5, the development of a suitable data-gathering instrument was discussed in order to enable the measurement of the association between the dependent and independent variables, in terms of, the *a priori* model. The chapter dealt with the various theories concerning data gathering instruments available for the conducting research. The discussion resulted in selecting an appropriate data gathering method for the study, namely questionnaires' administration. This chapter also dealt with the composition and design of the item pool, according to the various elements of the conceptual framework for the research questionnaire. The constructs that were discussed included the following: the attributes of entrepreneurship and the constructs of strategic behaviour. Lastly, the chapter described the methods that were employed in regard to the pilot work strategy of the preliminary research instrument, and the adjustments that were required due to the results of the pilot work. The chapter was then concluded with a detailed description of how the response rate of the study was determined.

Chapter 6 defined and described the research data collected by the instrument, and reported the descriptive statistics. The descriptive statistics dealt with the demographics and attributes of the SMMTE owners, and the various constructs of strategic behaviour. The profile of the typical attributes of the SMMTE owners suggest the following: the majority of owners have an **internal locus of control**; many have almost no **formal management education** in all the functional management areas and the largest proportion have received management functional education in only two functional areas; many have almost no **prior-experience** in all functional management areas and the largest proportion have some prior-experience in three of the functional management areas. However, a large proportion indicated **appropriate technical competence** for the operations of their business; a reasonable number indicated at least three **entrepreneurial reasons for starting a business** but notable proportion provided no entrepreneurial reasons for starting their businesses at all; the risk profile of owners indicated a **tendency toward risk aversion** and thus were deemed non-entrepreneurial for the purpose of this study; an **internal approach to holistic capabilities** was dominant amongst the SMMTEs and the respondents did not indicate any external approaches (entrepreneurial) for the SMMTEs in the study.

The typical demographic profile of the SMMTEs can be summarised as follows: the majority of respondents can be demographically characterised as **originating from the Western Cape and Gauteng**; are most likely **urban /metropolitan area based**; and are largely **family-owned** SMMTEs. The owners are most likely **45 to 54 years of age**; most likely of the **male** gender; the highest number have attained a **Grade 12 school leaving qualification** with a further notable number having attained a three year tertiary qualification; and, the majority can be classified as being from **European descent**. The profile of the SMMTE respondents suggests an age-based sub-culture which can be described as a generation of people who have experienced a common social, political and economic environment. The SMMTE respondents of this study, suggested by the results of this research, can alternatively be characterised as the late phase “Baby Boomers” generation. The results appear to suggest that the respondents are mostly middle-aged business people with predominately lifestyle and family motives. The predominance, according to Carlsen and Getz (2000: 239), of middle aged couples in the tourism industry may reflect a trend towards semi-retirement and subsequent self-employment.

Chapter 7 dealt with a possible relationship between selected strategic behaviour (the dependent variable) and certain entrepreneurial attributes (independent variables) using inferential statistics. To assist with data analysis objective of this chapter, the main hypothesis, along with its set of sub-hypotheses, was indicated (ref. Chapter 7, Section 7.2). The relationships and constructs, as depicted in the *a priori* model, were empirically tested by means of various statistical techniques:

- Reliability testing of the data set was conducted (ref. Section 7.5).
- Validity of the research instrument was determined (ref. Section 7.6).
- Reliability of the new constructs after exploratory factor analysis was determined (ref. Section 7.6.2).
- The relationships between the variables of the hypotheses were tested through Spearman's *rho* and ANOVA (ref. Section 7.7).
- The relationships between the variables of the hypotheses were further tested (ref. Section 7.7.2) through regression analysis.

Regression analysis is used for the explanation of phenomena (and prediction of future events). The independent variables that make a significant contribution toward predicting the dependent variable were identified and summarised in Section 7.7.2.10.

A further discussion (ref. Section 7.7.3) ensued to analyse the association of the variables (of the hypothesis). The study identified the overall significant end-result associations derived from the Spearman's  $\rho$  and regression analyses concerning the attributes of venture owners and the potential manifestations of strategic behaviour (ref. Table 7.10) within the SMMTEs. These results are summarised in Section 7.7.3.

Chapter 8 presents an overview of the research project which consisted of three distinct sections, namely a summary of the processes that were followed to reach this stage, followed by conclusions derived from the research results. The chapter deals with recommendations for further study. The results in this chapter have produced a foundation concerning specific

attributes of SMMTE entrepreneurs and the certain manifestations of strategic behaviour within such SMMTEs. This study is however not a process that should be terminated. Various areas that require further research have been identified. This study thus provides a framework for further research to be conducted.

Chapter 8 is followed by the reference list and addenda, which include statistical data, the questionnaire and relevant supplemental information relating to this study.

## 8.4 CONCLUSIONS

The overall research question of this study focuses on the relationships that exist between the attributes of SMMTE owners and strategic behaviour. Strategy can be considered to be about relating SMMTEs with their environments and entrepreneurial strategy can be considered to be about exploiting opportunities in the aforementioned environments. This also illustrates how the strategic thinking aspects cannot be isolated from each other. This study lends support to the notion that strategic behaviour is to some extent a response to key perceived uncertainties about strategic factors. Pursuant to this logic, viable strategic options may be limited more by the personal attributes of the SMMTE owners rather than by objective measures such as resource availability and tourism industry competitiveness, for instance. Hence, the premise may be incomplete if it is assumed that strategic behaviour should *fit in* with organisational or environmental factors, to be effective. Rather, it may be that strategic behaviour should *fit in* with the attributes of SMMTE owners responsible for its formulation and implementation. Strategic behaviour should be the central component to any SMMTE in helping create a business advantage and in mastering the strategy challenges within such internal and external environments. In the context of the study, the association between the dependent variables of strategic behaviour and the independent variables of owner attributes were determined (ref. Section 4.3).

### 8.4.1 Statistically significant relationships

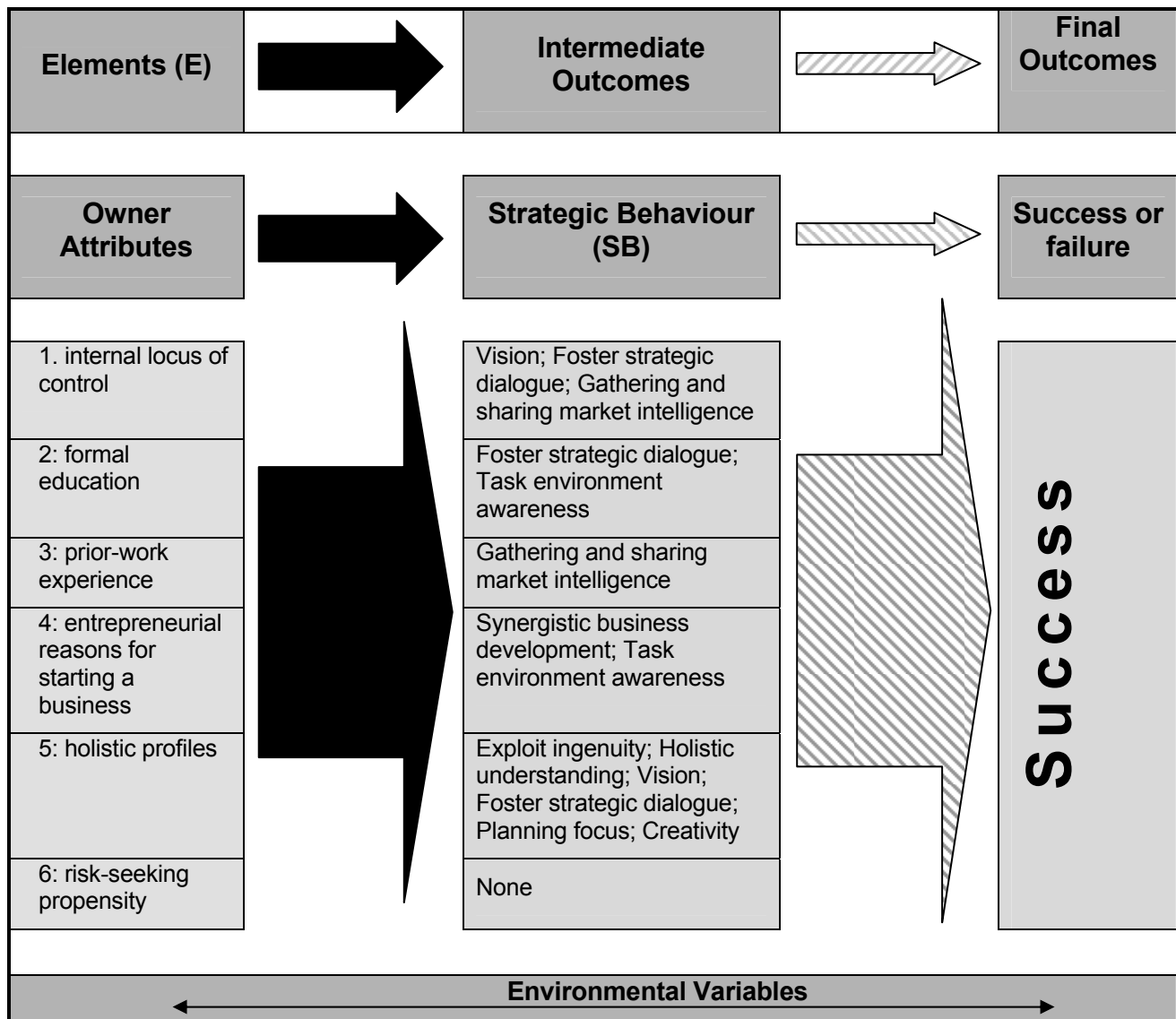
For ease of reference, the summary of the statistically significant associations as depicted in Table 7.10 is reproduced in Table 8.1. A summary of the associations between the variables

(ref. Table 8.1) revealed the overall significant associations concerning the selected attributes of venture owners and the potential manifestations of strategic behaviour (ref. Table 4.2) within the SMMTEs. This was determined after the data had been subjected to the Spearman's rank-order correlation coefficient (Spearman  $\rho$ ) (ref. Section 7.7), ANOVA (ref. Section 7.7.1.6.1) and multiple regression analyses (ref. Section 7.7.2).

**Table 8.1: Composite table of the associations of the variables (ref. Table 7.10)**

Sub-Hypothesis	Spearman's Rank-Order Correlation Coefficient (Spearman's $\rho$ ) and ANOVA	Regression analysis	Statistically significant results of Spearman's $\rho$ and regression analyses
	<b>At <math>p &lt; 0.05</math> significance level</b>	<b>At <math>p &lt; 0.05</math> or 0.10 significance levels</b>	
1: internal locus of control	holistic understanding (0.17), <b>vision</b> (0.18), <b>fostering strategic dialogue</b> (0.16), and, <b>gathering and sharing market intelligence</b> (0.17)	exploit ingenuity; <b>vision</b> ; <b>foster strategic dialogue</b> ; planning focus; <b>gathering and sharing market intelligence</b>	<b>Vision</b> ; <b>Foster strategic dialogue</b> ; <b>Gathering and sharing market intelligence</b> ;
2: formal education	<b>holistic understanding</b> (0.23), <b>fostering strategic dialogue</b> (0.33), <b>planning focus</b> (0.35), <b>task environment awareness</b> (0.22), and, gathering and sharing market intelligence (0.17)	exploit ingenuity; <b>foster strategic dialogue</b> ; <b>planning focus</b> ; <b>task environment awareness</b>	<b>Foster strategic dialogue</b> ; <b>Task environment awareness</b>
3: prior-work experience	holistic understanding (0.18), fostering strategic dialogue (0.19), planning focus (0.21) and, <b>gathering and sharing market intelligence</b> (0.17)	vision; <b>gathering and sharing market intelligence</b>	<b>Gathering and sharing market intelligence</b>
4: entrepreneurial reasons for starting a business	exploiting ingenuity (0.22), holistic understanding (0.24), creativity (0.21), vision (0.25), fostering strategic dialogue (0.27), planning focus (0.24), <b>synergistic business development</b> (0.33) and, task environment awareness (0.33)	<b>synergistic business development</b> ; <b>task environment awareness</b>	<b>Synergistic business development</b> ; <b>Task environment awareness</b>
5: holistic profiles	<b>exploiting ingenuity</b> (0.29), <b>holistic understanding</b> (0.26), <b>creativity</b> (0.19), <b>vision</b> (0.19), <b>fostering strategic dialogue</b> (0.32), <b>planning focus</b> (0.33), synergistic business development (0.21) task environment awareness (0.19), and, gathering and sharing market intelligence (0.24)	<b>exploit ingenuity</b> ; <b>holistic understanding</b> ; <b>vision</b> ; <b>foster strategic dialogue</b> ; <b>planning focus</b> , <b>creativity</b>	<b>Exploit ingenuity</b> ; <b>Holistic understanding</b> ; <b>Vision</b> ; <b>Foster strategic dialogue</b> ; <b>Planning focus</b> , <b>Creativity</b>
6: risk-seeking propensity	holistic understanding; planning focus; task environment awareness. (ref. Table 7.6.4 - ANOVA results)	none	<b>None</b>

The study also noted that a number of the sub-dimension elements of the strategic behaviour construct (ref. Table 7.10) were identified as having no (overall) statistically significant relationship with the identified attributes of the venture owners. The study did however find statistically significant results of the Spearman's  $\rho$  and regression analyses, as depicted in Table 8.1, between some of the attributes of the owners and certain elements of strategic behaviour. These results (ref. Table 8.1) were used **to populate the *a priori* theoretical model** and are depicted in Figure 8.1 (ref. intermediate outcomes).



**Figure 8.1: The populated *a priori* theoretical model and its statistically significant associations**



Although the research hypothesis of this study is implicitly stated through the *a priori* model, as depicted in Figure 7.1, the research findings provide support that there is an ultimately statistically significant association between the independent and dependent variables, and that the alternative hypothesis can be accepted, namely, there is an association between the specific attributes of the owners of the SMMTEs (which is characterised by locus of control, reasons for starting a business, holistic capabilities, formal management education and prior-experience) and the selected strategic behaviour variables. Furthermore, the research findings provide support that there is an overall statistically significant association between the various independent and dependent variables, as stated by the sub-hypotheses, and that the following alternative sub-hypotheses (ref. Section 7.2.2), can be accepted, namely:

- i. There is a positive relationship between locus of control and strategic behaviour.
- ii. There is a positive relationship between management education and strategic behaviour.
- iii. There is a positive relationship between prior-management experience and strategic behaviour.
- iv. There is a positive relationship between entrepreneurial reasons for starting a business and strategic behaviour.
- v. There is a positive relationship between greater holistic capabilities and strategic behaviour.

However, the research findings do not provide support that there is an overall statistically significant association between the risk propensity independent variable and the strategic behaviour dependent variables and consequently the following null sub-hypothesis (ref. Section 7.2.2) is accepted:

- vi. There is no relationship between risk propensity and strategic behaviour.

The populated conceptual (or, *a priori*) model and its sub-components, depicted in Figure 8.1, focused primarily on the two main constructs: the attributes of an SMMTE owner and preferred strategic behaviour variables that is manifested within an SMMTE. The study focused on

analysing the association between specific attributes of the SMMTE owners that produce preferred strategic behaviour and the manifestation of preferred strategic behaviour within SMMTEs (Intermediate outcomes). The study presumes that certain preferred strategic behaviour of the SMMTE has a higher likelihood to translate into preferred final outcomes, which can manifest in different formats – success or failure.

#### 8.4.2 Expectations from the model and supported by the findings

The study identified the following significant results derived from the interaction that involved certain SMMTE owner attributes and selected strategic behaviour variables:

- i. The **internal locus of control** owner attribute seemingly affects the strategic behaviour of SMMTE owners as to how they perceive the **vision** of their businesses, how they **foster strategic dialogue** within their ventures, and how they enact the **gathering and sharing of market intelligence** for their businesses.
- ii. The **formal education** owner attribute seemingly **fosters strategic dialogue** with all their key stakeholders and contributing towards the improved **task environment awareness** within SMMTEs.
- iii. The **prior-experience** owner attribute of SMMTE owners seemingly enables the strategic behaviour of SMMTE owners towards an improved **gathering and sharing market intelligence** that is used by SMMTEs.
- iv. The **entrepreneurial reasons for starting a business** owner attribute seemingly motivates the strategic behaviour of SMMTE owners to **synergise business development** activities and contribute towards the improved **task environment awareness** of their businesses.
- v. The **holistic approach** profiles owner attribute seemingly affects the strategic behaviour of SMMTE owners through enabling them to perceive the **holistic understanding** of their businesses; engendering the **vision** formulation of their businesses; **fostering strategic**

**dialogue**; developing a **planning focus**, and, encouraging **creativity** within SMMTEs.

- vi. The **risk-seeking profile** owner attribute seemingly does not have an overall effect on the strategic behaviour of SMMTE owners in conducting the strategic affairs of their businesses. This may be indicative of SMMTE owners not aspiring to grow their businesses (namely, have capped growth motives), and, are often motivated by non-financial considerations, such as lifestyle (including familial) factors, when starting and managing their SMMTEs (ref. Section 8.2). This has direct implication on the varying levels of strategic behaviour evidenced within the SMMTEs, and consequently, the study postulates that SMMTE owners employ a **risk-avoidance profile** when formulating strategic behaviour.

The research findings of this study consequently support the literature findings (ref. Section 4.2) that suggest that the attributes of entrepreneurs have a direct bearing on the strategic behaviour manifested within SMMTEs.

## 8.5 RECOMMENDATIONS

This study examined the determinants of strategic behaviour through the use of a sample frame of SMMTEs owners in the formal tourism industry of South Africa. The study contributes toward an improved understanding of the association between SMMTE owner attributes (predictors) and strategic behaviour.

It is assumed that in cases where strategic behaviour manifests in SMMTEs, that there should be a higher likelihood of successful outcomes (and conversely, failure where strategic behaviour does not manifest in SMMTEs) for such SMMTEs. The importance of successful SMMTEs as a mechanism for job creation, innovation and long-term sustainable economic development, for a developing country economy such as South Africa can not be emphasised enough.

### 8.5.1 Recommendations for further research

This section identifies further research that can be pursued:

#### 8.5.1.1 Further utilisation of the inductively derived empirical model (ref. Figure 8.1)

Research needs to be conducted to determine the extent to which strategic behaviour tends to limit the range of strategic options open to SMMTEs. Whilst it may be inherently assumed that this may expand these options, strategic behaviour may also lead to closing certain doors and result in the loss of key resources. It is suggested that further research needs to be conducted to determine the extent to which strategic behaviour manifested within SMMTEs that were ultimately deemed to have failed.

#### 8.5.1.2 Strategic behaviour and the SMMTE demographic variables

The impact of non-financial factors such as lifecycle choices and capped growth strategies of SMMTE owners on the strategic behaviour as is evidenced by this study requires that the impact of these be researched further. It is critical that these strategic behavioural factors be better understood as the tourism economy is overwhelmingly dominated by SMMTEs and this has a direct impact on the growth and sustainability of the tourism economy. Ongoing research needs to be conducted to determine the extent to which the removal of barriers to change (particularly, population group (race) and gender) and increasing economic empowerment of previously disadvantaged groups may have had implications on SMMTE strategic behaviour in South Africa's formal tourism industry. Furthermore, research needs to be conducted to determine the extent to which strategic behaviour tends to vary within informal sector SMMTEs, family-owned SMMTEs, copreneurial SMMTEs and various forms of corporate responsible SMMTEs e.g. pro-poor SMMTEs.

#### 8.5.1.3 Item-pool refinement

Future research involves firstly refining and developing the measuring instrument, secondly, including larger target samples, and thirdly, establishing whether statistically significant relationships exist between strategic behaviour and various SMMTE class-sizes or other demographical variables.

#### 8.5.1.4 Analysis of strategic behaviour in specific tourism sub-sectors

Research needs to be conducted to determine the extent to which strategic behaviour tends to vary within different sub-sector SMMTEs (for example, accommodation, food and beverage, events, etc.) and the corresponding implications for such sub-sector SMMTEs. Differences in the various sub-sectors, in terms of formal education, prior-management experience and appropriate technical competence, could have a statistical significance on the manifestation of strategic behaviour of such sub-sector SMMTEs. It is indicated by Ateljevic (2007: 311) that strategic behaviour and planning varies between the various tourism sub-sectors, and also according to the size and type of SMMTEs. Ateljevic (2007: 311) finds that in some sectors formal strategic planning is predominant in SMMTEs, but, in other sectors such as the “arts and crafts” because of the personal focus and commitment to produce, and not to sell, strategic activity is almost non-existent.

#### 8.5.1.5 Cross-disciplinary studies

The findings of this study suggest that research of the strategic behaviour of SMMTEs is a relatively understudied field. Scholars of the tourism field need to collaborate in a cross-disciplinary manner, to map the course of study and further develop strategic behaviour theoretic frameworks specific to the tourism entrepreneurship domain. Once solid theoretical bases have been established, empirical studies can be conducted to test and validate theories in the tourism entrepreneurship domain.

### 8.5.2 Practical implications

To ensure long-term sustainability, notes Whittle (2000: 8), the owners of SMMTEs need to make efficient and effective business decisions about the internal and external threats and challenges their businesses face to ensure that they have enough strategic information to make decisions and maintain their competitive advantage in the tourism industry (ref. Section 3.2.5). Crijns and Ooghe (1996: 2) indicate that in general it can be viewed that the development and growth of SMMEs can be attributed toward how quickly the entrepreneur, the business team and organisation can adapt and learn from the experiences in combination with the external

and internal environments. This implies that the core elements of strategic behaviour are internal and external, as listed in Figure 3.3, and according to Hofer (1991: 48) should include market related, industry related, competitor related, supplier related, resource and capability related, and broader environmental related strategic challenges.

The practical recommendations indicated in the section are derived from the summary of the relationships between specific SMMTE entrepreneurial attributes and selected strategic behaviour variables, as depicted in Figure 8.1. In terms of the said theoretical model, strategic behaviour can be developed at two main levels: the individual level and the organisational level.

#### 8.5.2.1 Individual level

The study found that the independent variables (ref. Sections 7.7.2.1. to 7.7.2.9) were not good (statistically significant) predictors of strategic behaviour of SMMTE owners. The study however further found statistically significant associations between the owners' attributes (independent variable) and a number of sub-dimensions of strategic behaviour (dependent) variables as depicted in Figure 8.1 and discussed in Section 8.4.2.

The study noted the findings of the descriptive statistics (ref. Section 6.2.3.5) which indicated that the majority of respondents in this study had mostly entrepreneurial reasons for starting their businesses. Agencies involved with SMMTE development need to more carefully assess the **entrepreneurial attributes** of aspiring tourism entrepreneurs who want to start an SMMTE as this has a direct bearing on the strategic behaviour that such ventures will evidence, and can ultimately impact on their growth orientation (capped- to growth-directed) and sustainability. This study proposes the provision of strategic behavioural skills to be included as part of the entrepreneurship programmes of schools and universities so as to enhance the entrepreneurial attributes of aspirant tourism entrepreneurs. It is suggested that the entrepreneurial reasons for starting an SMMTE can contribute towards the development of synergistic business developments through putting together business projects that contribute towards business sustainability; and, will contribute towards improved task environment awareness within the SMMTE in order to ensure that business projects are completed as profit-effectively as possible.

The study found that a good predictor of strategic behaviour is the **formal education** that SMMTE owners receive which in turn has a direct bearing on the strategic behaviour that such ventures will evidence; and ultimately their sustainability. The findings of this study however show that the descriptive statistics (ref. Section 6.2.3.2) noted that the majority of respondents in this study had no formal management education with only a small minority having receiving formal education in all management functional areas. It is recommended that learning opportunities be provided for applied learning in all management functional areas and that such education should not only include the “hard science” of business plan writing but must also deal with the “soft science” of developing strategic thinking and behaviour competencies of SMMTE owners. Such learning opportunities should also be firmly grounded in the tourism discipline. It is suggested that improved (also implying appropriate) formal education can significantly contribute towards fostering and supporting strategic dialogue with the SMMTE stakeholders; and will contribute towards improved task environment awareness within the SMMTEs. Fletcher and Harris (2002: 307) indicate that “entrepreneurship education should rather concentrate on the *process* rather than on the *content*, with *how to* aspects being more important than *know how*”. It is emphasised by Bolton and Thompson (2004: 400) that entrepreneurs “learn by doing” and may need a coach to promote the learning process. Thus, education is needed to be “hands-on” rather than “talk about” but owners also need to accept that they need “mentoring”. It is further indicated by De Coning (1995: 8) that SMME owners should become “business literate” through upgrading their knowledge skills in respect of general management, finance, marketing and the managing of people as these are considered to be necessary “entry level” abilities for entrepreneurs. The descriptive results of this study (ref. Section 6.2.3.2) further indicated that the majority of SMMTE owners had received no formal education in strategic management and tourism business studies.

The **internal locus of control** attribute (ref. Section 6.2.3.1.1) is a good predictor of strategic behaviour and it is suggested that SMMTE owners need to further develop this attribute so as not feel disempowered due to the various macro-environmental issues that may be impacting on the operation of their ventures and which may be beyond their control. It is suggested that an improved internal locus of control can contribute towards the formulation of more appropriate (even far-reaching) visions; will tend to foster strategic dialogue with stakeholders; and will

contribute towards the improved gathering and sharing of market intelligence. It is further proposed that SMMTE owners are provided with strategic business support and education to the point where they can depend on their own skill (internal locus of control) and thus will be more likely to work harder and improve their strategic abilities to manage their businesses. The descriptive results of this study (ref. Section 6.2.3.1) further indicated that the majority of SMMTE owners had an internal locus of control.

**Prior-experience** has also been identified as a good predictor of strategic behaviour. This is indicative of the need for prospective SMMTE owners to first gain appropriate prior-experience through working in the tourism industry before establishing their own SMMTE. The results suggest that this impacts on the type of strategic behaviour that is evidenced within SMMTEs. It is suggested that prior-experience can contribute towards the improved gathering and sharing of market intelligence supposedly because appropriately experienced SMMTE owners know how to operate in a networked tourism industry and have experience in dealing with its idiosyncrasies. It is noted however that the findings of the descriptive statistics (ref. Section 6.2.3.3) noted that the majority of respondents in this study had prior-management experience in at least three of the management functional areas however with an almost equal number having no prior-experience in any of the management functional areas. It is suggested that because of the different (even non-tourism) management backgrounds from which many of the SMMTE owners have gained their prior-experience, there is need to acknowledge and address this through possibly teaming-up entrepreneurs with SMMTE entrepreneurs who have the relevant prior-experience (possibly, in the form of mentor-mentee networks).

The **holistic** attribute of successful SMMTE owners is a good predictor of strategic behaviour because it lends to the ability to take a holistic view of the SMMTE and its environment. This implies an understanding of the different problems and issues, and how they influence the SMMTE. It is suggested that the holistic attribute of SMMTE owners can contribute towards the formulation of more appropriate (even far-reaching) visions; exploiting ingenuity, encouraging a planning focus, engendering creativity, fostering strategic dialogue with stakeholders; and will contribute towards the improved gathering and sharing of market intelligence. It is noted however in the findings of the descriptive statistics (ref. Section 6.2.3.7) that the majority of respondents in this study had an internal approach when conducting their business.



Consequently, there is need to develop the ability of SMMTE owners to have holistic ability that includes external factors when conducting their business behaviour because it lends to the ability to take a holistic view of the SMMTE and its environment.

The research findings indicated that the **risk-seeking behaviour** attribute of SMMTE owners is not a good predictor of strategic behaviour. The descriptive research findings of this study (ref. Section 6.2.3.6) also indicate that most SMMTEs avoid risk when conducting their business. It would thus be prudent of agencies involved in SMMTE development to note the risk avoidance strategies of most SMMTEs when designing interventions to assist aspiring SMMTEs to ensure the sustainability of these ventures. This is indicative of SMMTE owners who seemingly are not aspiring to grow their businesses (namely, have capped growth motives), and are often motivated by non-financial considerations, such a lifestyle (including familial) factors, when starting and managing their SMMTEs (ref. Section 3.2.3). As indicated in Section 6.2.1.2, the predominance of middle aged respondents in the study may further reflect a trend towards semi-retirement and subsequent self-employment and thus be inclined to be more risk-averse.

Finally, the blending of strategic thinking and planning together is a learned practice. The whole purpose of strategy is to create business advantage, to maximise resources, decisions and core competencies. Strategic thinking seems to emphasise the formulation of strategy within the organisation and strategic planning the implementation of these strategies. In an SMMTE scenario, the synergistic effect of both elements operating together is what is required, and quite often strategies for the SMMTE require implementation and action at the same time. The extent to which SMMTE owners manifest strategic behaviour, however, is dependent on a multitude of variables. Some of these variables which are internal to the SMMTE owner, such as strategic thinking skills, are controllable but others may be beyond the control and influence of the SMMTE owner. Uncontrollable factors were fundamentally external variables over which the SMMTE owner had little, if any, direct influence. The state of the economy and socio-political influences were examples of such external variables. However, the extent of the SMMTEs ability to understand the external environment could affect the influence of the external variables on the performance of the SMMTE.

#### 8.5.2.2 Organisational level

SMMTEs owners should create a business climate whereby it is conducive towards supporting the creative strategic act within the entire enterprise. SMMTEs should also draw from the entire SMMTE talent pool because the most effective strategic entrepreneurial behaviour sometimes originates from individuals or teams whose input was not expected. It can be further emphasised that SMMTEs should promote divergent thinking, the generation of different views, within the enterprises which should result in creative and strategic behaviour.

Although macro environmental factors do impact on the strategic behaviour of SMMTEs, the plethora of SMMTEs operating within tourism destinations means that they have the potential to strategically influence the environmental, social and economic (triple bottom line) progress towards achieving sustainability within such destinations. The sustainable development of destinations places SMMTEs in the centre of sustainability debates as they have the potential to form strategic networks and spread the environmental, social and economic benefits within their destinations. This implies that measureable sustainability indicators need to be developed for SMMTEs and further research needs to be conducted that measures the interaction between sustainability, strategic behaviour and strategic networks.

Strategic behaviour, recommends Grundy and Brown (2002: 421), is a habit that SMMTE owners should continually cultivate. Such behaviour should include spending time to regularly devote to strategic issues of the SMMTE; focussing on one strategic issue at the time; using *ad hoc* free time to work on strategic issues; gathering small, but rich, data from the key stakeholders (clients, competitors, staff, etc.); and to be confident of their ability to think strategically. This will assist with translating strategic behaviour imperatives into practice.

### 8.6 CONCLUDING REMARKS

The findings of this study identified SMMTE entrepreneurial attributes that have a statistically significant association with a number of sub-dimensions of strategic behaviour (dependent) variables and thus contribute toward the research subject concerning the role of strategic behaviour within SMMTE entrepreneurship. The study has further applied this to a largely under-researched economic sector in South Africa, namely, tourism.

The finding and conclusions of this study have to be interpreted within the context of the various **delimitations and limitations** that the study had to contend with. The lack of access to data concerning the tourism industry in South Africa was a serious hurdle that impacted on the study. The motives of entrepreneurs who start SMMTEs and how this impacts on strategic behaviour seem to have been a widely underrated construct in the study. Further studies need to be conducted concerning strategic behaviour and family-owned SMMTEs, particularly, intergenerational ownership, the interaction between family dynamics and strategic business behaviour, gender roles, dealing with family issues and paternalistic strategic management. The role of ethnicity (particularly ethnic minorities) and strategic behaviour also warrants further study.

Strategic behaviour is a dynamic activity that unfolds over time, suggesting that longitudinal research could more accurately capture the nature and degree of changes over time.

Compared with personal or telephonic interviews, self-administered postal questionnaires failed to contribute toward an acceptable response rate for the study.

This study has taken the SMMTE owner as the unit of analysis and in many instances the formulation of entrepreneurial strategic behaviour is likely to also be a group process involving the members of the SMMTE team, where available.

The strategic behaviour within SMMTEs has been demonstrated as statistically significant; agencies involved in SMMTE development need to take cognisance of this.

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## **APPENDICES**

# APPENDIX 1:

## 1996 ACT 102 SMME CLASSIFICATIONS

### SCHEDULE

(See definition of "small business" in section 1)

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
		Less than	Less than	Less than
Agriculture	Medium	100	R 4.00 m	R 4.00 m
	Small	50	R 2.00 m	R 2.00 m
	Very small	10	R 0.40 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Mining and Quarrying	Medium	200	R30.00 m	R18.00 m
	Small	50	R 7.50 m	R 4.50 m
	Very small	20	R 3.00 m	R 1.80 m
	Micro	5	R 0.15 m	R 0.10 m
Manufacturing	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Electricity, Gas and Water	Medium	200	R40.00 m	R15.00 m
	Small	50	R10.00 m	R 3.75 m
	Very small	20	R 4.00 m	R 1.50 m
	Micro	5	R 0.15 m	R 0.10 m
Construction	Medium	200	R20.00 m	R 4.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	20	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Retail and Motor Trade and Repair Services	Medium	100	R30.00 m	R 5.00 m
	Small	50	R15.00 m	R 2.50 m
	Very small	10	R 3.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	R50.00 m	R 8.00 m
	Small	50	R25.00 m	R 4.00 m
	Very small	10	R 5.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

Catering, Accom-	Medium	100	R10.00 m	R 2.00 m
modation and	Small	50	R 5.00 m	R 1.00 m
other Trade	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m
Transport, Sto-	Medium	100	R20.00 m	R 5.00 m
rage and Communi-	Small	50	R10.00 m	R 2.50 m
cations	Very small	10	R 2.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m
Finance and	Medium	100	R20.00 m	R 4.00 m
Business Services	Small	50	R10.00 m	R 2.00 m
	Very small	10	R 2.00 m	R 0.40 m
	Micro	5	R 0.15 m	R 0.10 m
Community, Social	Medium	100	R10.00 m	R 5.00 m
and Personal	Small	50	R 5.00 m	R 2.50 m
Services	Very small	10	R 1.00 m	R 0.50 m
	Micro	5	R 0.15 m	R 0.10 m

## APPENDIX 2:

### 2003 AMENDED SMME SCHEDULE

#### “SCHEDULE

(See definition of 'small business' in section 1)

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or subsector in accordance with the Standard Industrial Classification	Size of class	The total full-time equivalent of paid employees	Total turn-over	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very Small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m

Column 1	Column 2	Column 3	Column 4	Column 5
Sector or subsector in accordance with the Standard Industrial Classification	Size of class	The total full-time equivalent of paid employees	Total turn-over	Total gross asset value (fixed property excluded)
Transport, Storage and Communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very Small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m".

## APPENDIX 3:

### PILOT TEST LETTER TO ACADEMIC PANEL

#### *University of Stellenbosch Business School*

OFFICE USE ONLY: PRE-TEST 1 Preliminary Questionnaire number:-

#### **An Investigation into the Co-Producers of Preferred Strategic Behaviour in Small and Medium Tourism Enterprises in South Africa: March 2005**

---

• Researcher: Dimitri Tassiopoulos • (083 628 9646) •

---

Dear Sir/ Madam,

The purpose of this letter is to initiate contact and to invite you to participate in the preliminary (pre-testing) phase of a doctoral research study conducted under the auspices of the Graduate School of Business of the University of Stellenbosch.

The purpose of the study is to determine the nature of strategic behaviour amongst **small, micro and medium tourism enterprises in South Africa**. Almost 2000 businesses have been included in this study and the results are seen to have far reaching effect.

The study is being conducted by Dimitri Tassiopoulos, the current Associate Director of the Centre of Excellence in Leisure and Tourism at Border Technikon, as part of his PhD research at the Graduate School of Business of the University of Stellenbosch.

**The confidentiality of the information supplied to us is guaranteed.** The emphasis is on learning from successful and less successful South African tourism business and not to report on any specific enterprise. It should take about **20 minutes** to complete the questionnaire. **A detailed summary of the final conclusions will be made available to you if you participate in this study.**

**Your participation is crucial in the success of this survey.** With the competitive environment becoming increasingly volatile and threatening, your participation will also help you to become better equipped to ensure growth and success.

Please return the completed questionnaire in the paid envelope included. Any enquiry may be directed to Dimitri Tasiopoulos at 083 626 9646 or to my self at 021 808 3563

Thanking you in anticipation.

Yours sincerely,

**PROF. T. J. DE CONING (Study Leader):**  
**Senior Director: Strategic Initiatives, University of Stellenbosch**



UNIVERSITEIT•STELLENBOSCH•UNIVERSITY  
jou kennisvennoot-your knowledge partner

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## COMPLETING THE QUESTIONNAIRE

The **objective** of the survey is to gain insight into the strategic behaviour of South African small and medium tourism enterprises.

**Confidentiality** of all information is guaranteed. The purpose of the research is to determine strategic behaviour patterns, and not to report on any specific enterprise.

There are **no right or wrong** answers to any of the statements in the questionnaire. It is your opinion on each of the statements that matters.

This **preliminary questionnaire** contains a number of statements about your organisation. You are requested to **respond** to each of the statements by putting a cross (X) in the space provided which most accurately fits the extent to which you agree that the statement describes your enterprise.

After you have read each statement, please decide the degree to which the statement accurately describes your situation.

Hereunder is an example of a Scale:

1. Strongly disagree
2. Disagree
3. Uncertain
4. Agree
5. Strongly agree

		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
		1	2	3	4	5
1.	Most employees get along well with each other in this enterprise.					

If you **strongly agree** with this statement, you then put an X below 5.

If however, you **disagree** with this statement, you put an X below 2, and so on.

**Please return your completed questionnaire before 06 March 2005.**

### INSTRUCTIONS TO THE PRE-TESTING (SPECIALIST) PANEL

1. Please read carefully all the following instructions, **before**, completing the questionnaire.
2. **Abstract of the theoretical framework:** The study has assumed that the entrepreneur has a direct bearing on the strategic behaviour of the small and medium tourism enterprises (SMTE's) and the consequences thereof could range in varying degrees from success to failure for the SMTE. The extent to which SMTE owners manifest strategic behaviour, is dependent on a multitude of variables. Some of these variables are controllable and other may be beyond the control and influence of the SMTE owner. Strategic behaviour can be seen at the individual and organisational level and is illustrated in Table 1. Strategic behaviour can thus be described as that which utilises the venture's threats and opportunities to enhance its long-term prospects. A strategic decision is thus defined as a set of critical actions and dynamic factors beginning with the identification of the stimuli and ending with the specific commitment for action. Strategic behaviour is described as unstructured, irregular and incomprehensive with SMTE strategising as incremental, sporadic and reactive, overall. The study assumes that if the Strategic behaviour of SMTE's were to be optimised this would result in an improved final outcome. Consequently, an investigation of the relationship between certain SMTE owner attributes and strategic behaviour will be the basis of this study. The stronger the relationship, the greater will be the likelihood that preferred strategic behaviour will be evidenced.

Table 1: Characteristics of strategic behaviour

<b>Individual Level:</b>	Holistic understanding of the SMTE and its environment (issue identification, alternative generation, evaluation and selection)
	Creativity
	Vision of the SMTE's future
<b>Organisational level:</b>	Foster on-going strategic dialogue among the internal and external stakeholders (power structure, past performance and strategies, the complexity and volatility of the SMTE)
	Exploit the ingenuity and creativity of employees (venture size, past strategies, performance, structure, top management team attributes, beliefs and organisational slack)

**Source:** Rajagopalan, Rasheed and Datta (1993: 277-280), Hynes (2003: 4-5) and Bonn (2001: 64)

3. **Please complete the attached questionnaire.**
4. Please indicate, in the box below, **the amount of time, in minutes**; it has taken you to complete this questionnaire. (Do not include the additional time required to complete your additional tasks as a member of the specialist panel.)

5. Please assess the questionnaire using the following guide-lines, please free to add your comments in the spaces along the margins of the questionnaire:

a. evaluate each question to ensure that the items are **clear / unambiguous**.

.....

b. evaluate each question to ensure that the items are not duplicated / repeated.

.....

c. evaluate each item to ensure that it is **grammatically correct**.

.....

d. indicate which items may be **leading**, if any.

.....

e. indicate which items you **would remove**

.....

f. indicate which **additional items you would like to be included** in this questionnaire.

.....

g. assess the suitability of the **colour and type** of the paper used, and

.....

h. evaluate the suitability of the **font** used to type the questionnaire

.....

6. General Comments


**APPENDIX 4:****PILOT TEST LETTER TO INDUSTRY PANEL****OFFICE USE ONLY**

PRE-TEST 2 Preliminary Questionnaire number:-

**An Investigation into the Co-Producers of Preferred Strategic Behaviour  
in Small, Micro and Medium Tourism Enterprises in South Africa.**

**March 2005**

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• Researcher: Dimitri Tassiopoulos • (083 628 9646) •

---

Dear Sir/ Madam,

The purpose of this letter is to initiate contact and to invite you to participate in the preliminary (pre-testing) phase of a doctoral research study conducted under the auspices of the Graduate School of Business of the University of Stellenbosch.

The purpose of the study is to determine the nature of strategic behaviour amongst **small, micro and medium tourism enterprises (SMMTEs) in South Africa**. Almost 2000 businesses will be included in this study and the results are seen to have far reaching effect.

The study is being conducted by Dimitri Tassiopoulos, the current Associate Director of the Centre of Excellence in Leisure and Tourism at Border Technikon, as part of his PhD research at the Graduate School of Business of the University of Stellenbosch.

**The confidentiality of the information supplied to us is guaranteed.** The emphasis is on learning from successful and less successful South African tourism business and not to report on any specific enterprise. It should take about **20 minutes** to complete the questionnaire. **A detailed summary of the final conclusions will be made available to you if you participate in this study.**

**Your participation is crucial in the success of this survey.** With the competitive environment becoming increasingly volatile and threatening, your participation will also help you to become better equipped to ensure growth and success.

Please return the completed questionnaire in the paid envelope included. Any enquiry may be directed to Dimitri Tasiopoulos at 083 626 9646 or to my self at 021 808 3563

Thanking you in anticipation.

Yours sincerely,

**PROF. T. J. DE CONING (Study Leader)**  
**Senior Director: Strategic Initiatives, University of Stellenbosch**

## COMPLETING THE QUESTIONNAIRE

The **objective** of the survey is to gain insight into the nature of strategic behaviour of South African small, micro and medium tourism enterprises.

**Confidentiality** of all information is guaranteed. The purpose of the research is to determine strategic behaviour patterns, and not to report on any specific enterprise.

There are **no right or wrong** answers to any of the statements in the questionnaire. It is your opinion on each of the statements that matters.

This **preliminary questionnaire** contains a number of statements about your organisation. You are requested to **respond** to each of the statements by putting a cross (X) in the space provided which most accurately fits the extent to which you agree that the statement describes your enterprise.

After you have read each statement, please decide the degree to which the statement accurately describes your situation.

Hereunder is an example of a Scale:

1. Strongly disagree
2. Disagree
3. Uncertain
4. Agree
5. Strongly agree

		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
		1	2	3	4	5
1.	Most employees get along well with each other in this enterprise.					

If you **strongly agree** with this statement, you then put an X below 5.

If however, you **disagree** with this statement, you put an X below 2, and so on.

**Please return your completed questionnaire before 10 March 2005.**

### INSTRUCTIONS TO THE PRE-TESTING 1 (SMMTE) PANEL.

Please read carefully all the following instructions, **before**, completing the questionnaire.

**Summary of the theoretical framework:** The study has assumed that the entrepreneur has a direct bearing on the strategic behaviour of the small, micro and medium tourism enterprises (SMMTEs) and the consequences thereof could range in varying degrees from success to failure for the SMMTE. The extent to which SMMTE owners manifest strategic behaviour, is dependent on a multitude of variables. Some of these variables are controllable and other may be beyond the control and influence of the SMMTE owner. Strategic behaviour can be seen at the individual and organisational level and is illustrated in Table 1. Strategic behaviour can thus be described as that which utilises the venture's threats and opportunities to enhance its long-term prospects. A strategic decision is thus defined as a set of critical actions and dynamic factors beginning with the identification of the stimuli and ending with the specific commitment for action. Strategic behaviour is described as unstructured, irregular and incomprehensive with SMMTE strategising as incremental, sporadic and reactive, overall. The study assumes that if the Strategic behaviour of SMMTEs were to be optimised this would result in an improved final outcome. Consequently, an investigation of the relationship between certain SMMTE owner attributes and strategic behaviour will be the basis of this study. The stronger the relationship, the greater will be the likelihood that preferred strategic behaviour will be evidenced.

Table 1 : Characteristics of strategic behaviour

<b>Individual Level:</b>	Holistic understanding of the SMMTE and its environment ( issue identification, alternative generation, evaluation and selection)
	Creativity
	Vision of the SMMTEs future
<b>Organisational level:</b>	Foster on-going strategic dialogue among the internal and external stakeholders (power structure, past performance and strategies, the complexity and volatility of the SMMTE)
	Exploit the ingenuity and creativity of employees (venture size, past strategies, performance, structure, top management team attributes, beliefs and organisational slack)

**Source:** Rajagopalan, Rasheed and Datta (1993: 277-280), Hynes (2003: 4-5) and Bonn (2001: 64)

**Please complete the attached questionnaire (pages 5 to13).** Please indicate, in the box below, **the amount of time, in minutes**; it has taken you to complete this questionnaire. (Do not include the additional time required to complete your additional tasks as a member of the SMMTE panel.)

**Please assess** the questionnaire (**pages 5 to13**) using the following guidelines, please free to add your comments in the spaces along the margins of the questionnaire:

a. evaluate each question to ensure that the items are **clear / unambiguous**.


b. were you able to respond in the manner that you wanted to respond.


c. indicate which items you **would remove**


d. indicate which **additional items you would like to be included** in this questionnaire.


**e. General Comments**


**APPENDIX 5:****FINAL QUESTIONNAIRE (NO CODING)**

OFFICE USE ONLY Questionnaire number:-

**An Investigation into the Co-Producers of Preferred Strategic Behaviour in Small, Micro and Medium Tourism Enterprises in South Africa.****May 2005**

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• Researcher: Dimitri Tassiopoulos • (083 628 9646) •

---

Dear Sir/ Madam,

You are invited to participate in a study conducted by the Graduate School of Business of the University of Stellenbosch.

The purpose of the study is to determine the nature of strategic behaviour amongst **small, micro and medium tourism enterprises (SMMTEs) in South Africa** and utilise the results **to improve business performance and sustainability**. Almost 2000 tourism related businesses (travel, hospitality and etcetera) have been included in this study and the results are seen to have far-reaching effect.

The study is being conducted by Dimitri Tassiopoulos, the current Associate Director of the Centre of Excellence in Leisure and Tourism at Border Technikon, as part of his PhD research at the Graduate School of Business of the University of Stellenbosch.

**The confidentiality (anonymity) of the information supplied to us is guaranteed.** You will not be victimised for any information that you provide. You have the right to refuse to participate or to answer some of the questions. The emphasis is on learning from successful and less successful South African tourism business and not to report on any specific enterprise. It should take about **20 minutes** to complete the questionnaire. **A detailed summary of the final conclusions will be made available to you if you participate in this study.**

**Your participation is crucial in the success of this survey.** With the competitive environment becoming increasingly volatile and threatening, your participation will also help you to become better equipped **to ensure growth and success.**

Please return the completed questionnaire, in the Business Reply Service envelope provided, **before 31 May 2005**. Any enquiry may be directed to Dimitri Tassiopoulos at 083 626 9646 or to my self at 021 808 3563

Thanking you in anticipation.

Yours sincerely,

**PROF. T. J. DE CONING (Study Leader)**

**Senior Director: Strategic Initiatives, University of Stellenbosch**



## An investigation into the co-producers of preferred strategic behaviour in small, micro and medium tourism enterprises in South Africa

### INSTRUCTIONS FOR COMPLETING THE QUESTIONNAIRE:

There are **no right or wrong** answers to any of the statements in the questionnaire. It is your opinion on each of the statements that matters.

This **questionnaire** contains a number of statements about your organisation. You are requested to **respond** to each of the statements which most accurately fits the extent to which you agree that the statement describes your enterprise by putting a cross (X) in the space provided.

After you have read each statement, please decide the degree to which the statement accurately describes your situation.

Hereunder is an example of a Scale:

1. Strongly disagree
2. Disagree
3. Uncertain
4. Agree
5. Strongly agree

If you **strongly agree** with this statement, you then put an X below 5.

If however, you **disagree** with this statement, you put an X below 2, and so on.

**Please return your completed questionnaire before 31 May 2005, using the Business Reply**

**Service envelope provided.**

		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
		1	2	3	4	5
1.	Most employees get along well with each other in this enterprise.					

**SECTION A: INTRODUCTION**

Q.1 Indicate your Geographical location.

Eastern Cape	
Free State	
Gauteng	
KwaZulu Natal	
Limpopo	
Mpumalanga	
North West	
Northern Cape	
Western Cape	
Uncertain/unknown	

STATE TOWN .....

Q.2 For how long has this business been in existence?

Less than three months	
Between three and 42 months (or 3.5 years)	
More than 42 months (or 3.5 years)	
Uncertain/don't know	

SPECIFY .....

Q.3 How many branches other than this one do you have in South Africa?

None	
One	
Two	
Three to five	
Six to 10	
11 to 20	
21 to 30	
31 to 50	
51 to 75	
76 to 100	
100 +	
Uncertain/don't know	

Q.4 What type of business is this establishment?

Sole trader	
Partnership	
Close corporation	
Private Company (Pty) Ltd	
Public Company	
Trust	
Franchise	
Other	

SPECIFY .....

- Q5. Is this a family business? (i.e. the main owner is a family member, family members jointly own more than 50 percent of the business equity, family members participate in critical business decisions; and, the business has the potential to be passed on to the next generation's family members to control).

Yes	
No	

- Q.6 Please indicate in which sector of the tourism industry your business is mainly involved in.

Transportation sector		<b>SPECIFY</b> .....
Private sector support services		<b>SPECIFY</b> .....
Recreation, leisure and attractions sector		<b>SPECIFY</b> .....
Travel, wholesale and retail services sector		<b>SPECIFY</b> .....
Events sector		<b>SPECIFY</b> .....
Accommodation and catering sector		<b>SPECIFY</b> .....
Public sector support services		<b>SPECIFY</b> .....
Other		<b>SPECIFY</b> .....

- Q.7 How many full-time employees does this business employ?

None		
Up to 4 employees		<b>SPECIFY</b> .....
5 to 9 employees		
10 to 49 employees		
50 to 99 employees		
100 or more employees		
Uncertain/don't know		

- Q.8 Please estimate how many full-time jobs this business can create within the next five years.

None		
Up to 4 employees		<b>SPECIFY</b> .....
5 to 9 employees		
10 to 49 employees		
50 to 99 employees		
100 or more employees		
Uncertain/don't know		

- Q.9 How many part-time employees does this business employ per annum?

None		
Up to 4 employees		<b>SPECIFY</b> .....
5 to 9 employees		
10 to 49 employees		
50 to 99 employees		
100 or more employees		
Uncertain/don't know		

Q 10 Please estimate the total gross annual turnover of your business.

Less than R150 000	
R150 000 to less than R1 million	
R1 million to less than R5 million	
R5 million to less than R8 million	
More than R8 million	
Uncertain/don't know	

Q 11. Please estimate the total gross asset value (fixed property excluded) of your business.

Less than R100 000	
R100 000 to less than R150 000	
R150 000 to less than R0,6 million	
R0,6 million to less than R1,5 million	
More than R1,5 million	
Uncertain/don't know	

Q12. Please indicate your gender.

Male	
Female	

Q13. Please indicate your age.

18 - 24 years of age	
25 - 34 years of age	
35 - 44 years of age	
45 - 54 years of age	
55 - 64 years of age	
65 years and older	
No response	

Q14. Please indicate your highest educational qualification obtained.

Grade 10 (Std 8) or lower		
Grade 12 (Std 10) or Matriculation		
National diploma (3 year qualification)		<b>SPECIFY</b> .....
Degree (3 or 4 year qualification)		<b>SPECIFY</b> .....
Post-graduate		<b>SPECIFY</b> .....
Other educational qualification		<b>SPECIFY</b> .....

Q15. Please indicate your population group.

Black African	
Coloured	
Asian/Indian	
White	

**SECTION B: ATTRIBUTES OF SMALL BUSINESS OWNERS**

Q. 16. Hereunder are a number of statements that are indicative of individual business owners' personal convictions. Read each statement carefully and indicate your choice by placing an X in the spaces as appropriate.

	Agree	Don't Agree
Unfortunately a person does not always get recognition for their worth, no matter how hard they try.		
When plans are conceptualised, I am practically sure that I will succeed.		
Most people do not realise to what degree their lives are controlled by incidental events.		
Sometimes I feel that I do not have enough control over my life in regard to the direction it is taking.		
To get what I want, (personally) nothing or little has to do with luck.		
Many of the unlucky things that happen to people can be ascribed to fate.		

Q. 17 Have you had FORMAL education (structured educational programme) in any of the following management fields? Please select the appropriate choices as relevant to you by placing an X in the spaces as appropriate. More than one response is possible.

Financial management		
Marketing management		
Humans Resource management		
Strategic management		
General management		
Tourism business studies		
Other		

SPECIFY.....

.....

- Q.18 Have you any experience in the following management field prior to starting the business. Please select the appropriate choices as relevant to you by placing an X in the spaces as appropriate. More than one response is possible.

Financial management		
Marketing management		
Humans Resource Management		
Strategic management		
General management		

- Q. 19. Do you have technical/ practical (learning in the workplace) experience that is relevant to the business? Select the appropriate response.

Y E S		N O	
-------------	--	--------	--

- Q. 20. People have various reasons as to why they start a business. Hereunder are a number of statements. Please indicate to what degree this applies to you.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	A need for me to create my own employment.					
	A desire to make a real contribution toward economic growth and development.					
	A need to prove to others and myself that I can be successful.					
	To strive for a good standard of living for myself and my family.					
	A need to create unique ideas.					
	A need to improve my financial situation.					

- Q. 21 Which of the reasons provided in Question 20 are the most important to you? Please indicate your choice by selecting 3 of the most appropriate question numbers (i.e. 20.7 etcetera) and rank these hereunder:

The most important	
The second most important	
The third most important	

- Q. 22. From time to time you as a business person are confronted with decisions that can have a favourable influence i.e. the development of new markets. To what degree would the following aspects influence your final decision?

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	The avoidance of risk that may threaten the sustainability of the business.					
	The maintenance of existing rules and regulations of the business.					
	The need to operate a fast growing business					
	Assurances that possible expansion will not threaten my position within the business.					

- Q. 23 Please select one of the aspects indicated in Question 22 that have the greatest influence on your decision-making. Please indicate your choice by selecting the 3 most appropriate question numbers (i.e. 22.5 etcetera) for you and rank these hereunder:

The most important	
The second most important	
The third most important	

- Q. 24 One of the most common challenges faced by business owners is that they want their business to produce the best results possible. Hereunder are 6 possible approaches that could assist to achieve this. Please indicate, in each, how important you consider these.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	The achievement of high gross profit margins.					
	The need to strive to be up-to-date with social and economic trends.					
	Strict control of the quality of products/ services.					
	Integration into the community's organised trade activities					
	Strict control of business expenditures					
	To be up-to-date with the activities of their competition.					

- Q. 25 Which of the reasons provided in Question 24 are the most important to you? Please indicate your choice by selecting the 3 appropriate question numbers (i.e. 24.7 etcetera) and ranking these hereunder:

The most important	
The second most important	
The third most important	



**SECTION C: STRATEGIC BEHAVIOUR (organisational level)**

Q 26. Businesses implement various strategic actions in order to improve their business performance. Please indicate how the following statements apply to your business.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	Long-term (5 years or more) "planning" within the business takes place according to predetermined decision-making structures.					
	The long-term direction (5 years or more) of the business is determined through on-going dialogue with the long-term partners (or owners) of the business.					
	The owners of the business seek to achieve competitive advantage for the business.					
	Decisions affecting the long-term future (5 years or more) of the business take all business activities into account.					
	The business's long-term (5 years or more) activities are not matched with the business's environment.					
	All efforts are made to "stretch" the business's resources.					
	Where inter-personal rivalry occurs in the business, little is done to manage it.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
	The budget (time and money) makes provision for employees to experiment with new business ideas.					
	People involved in the business are not provided opportunities to learn from their mistakes.					
	Relevant internal and external information sources are used to draw up long-term plans for the business.					
	Employees are not informed about the long-term plans of the business.					
	Key employees are identified to accomplish the long-term objectives of the business.					
	There is little sharing of lessons about market behaviour between the various "sections" of the business.					
	Customer information is used to plan to improve business performance on the long-term.					
	Our markets are not monitored regularly.					
	Our customer contact employees do not feed market information to the owners of the business.					
	We regularly benchmark our performance against the best businesses in the sector.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	We undertake regular post-audits of unsuccessful business projects.					
	We have formal mechanisms in place to determine a deep understanding of our customers and markets.					
	The behaviour of our people is the result of their desire to learn more about our customers and markets.					
	We respond rapidly to competitive actions.					
	Our competitive actions are based on understanding our customers' needs.					
	The owners of this business seldom discuss competitors' strategies.					
	Most "sections" of the business get along well with each other in this organisation.					
	Information is shared among "departments" in this business.					
	In this business little action can be taken until the owner approves it.					
	For the future good of the business there is a need to develop good relationships inside the business.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
	For the future good of the business there is a need to develop good relationships outside the business.					
	The future of our business depends on developing the business as a whole.					
	A strong emphasis on the marketing of tried and tested products or services.					
	The long-term planning (5 years or more) process mainly involves employees within the business.					
	The structure of the long-term (5 years or more) planning process is flexible and allows intuitive input from the people in the business.					
	In general, the owners of the business have a strong inclination for low risk projects (with normal and certain rates of return).					
	When confronted with decision-making situations my business typically adopts a bold and aggressive attitude.					
	The business owner should be able to generate creative ideas on how to develop the business.					
	The business owner should be able to excite other members of the business in turning business ideas into competitive advantages for the business.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	We routinely gather opinions from our clients.					
	We explicitly track the tactics of our competitors.					
	We have a comprehensive information system to gather information about the performance of our business.					
	Periodic brainstorming by the members of the business is used as a decision-making technique for novel solutions to problems.					
	We use staff specialists to investigate and write reports on major decisions as a decision-making technique.					
	The speed with which we make important business decisions varies because of time pressures.					
	Decisions aimed at the resolution of crises are most common.					
	The emphasis is on the immediate future when making management decisions.					
	The most important operational processes in the business are carefully documented.					
	We want the business to develop in carefully planned steps.					

**SECTION D: STRATEGIC BEHAVIOUR (Individual level)**

Q.27. Individuals in the business play a key role in its development. Please indicate how the following statements apply to your business.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	I see no need to understand the business within the broader business environment.					
	I see innovation as an integral competence for the long-term (5 years or more) survival of the business.					
	I believe that a vision of the long-term future (5 years or more) of the business is not important.					
	I am of the opinion that being in the right place, at the right time is an important strategic action of the business.					
	I believe that there are no "untouchable issues" when the long-term planning (5 years or more) is taking place.					
	I ensure that strategy is continually improved and reviewed.					
	I believe that it is not necessary to formulate strategic goals.					
	I believe that we should consider the past when we plan the future of the business.					
	I talk to those I lead about my most important values and beliefs.					
	I specify the importance of having a strong sense of purpose.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	I emphasise the value of questioning assumptions.					
	I seek differing perspectives when solving problems.					
	I look at problems from many different angles.					
	I encourage non-traditional thinking to deal with traditional problems.					
	I meet regularly with my customers to determine what products/services they will need in the future.					
	I am slow to detect changes in my customer's product / service preferences.					
	I have formal processes for continually collecting information from the market.					
	I often talk to those who can influence my end-user's purchase e.g. retailers, distributors.					
	I do not have an up-to-date customer database.					
	I am constantly aware of what changes in market conditions mean for our customer's requirements.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	I freely communicate information about our customers throughout my business.					
	I very rarely have "inter-departmental" meetings to discuss market trends.					
	I seldom circulate documents that provide information on our markets.					
	I have formal processes for sharing information throughout the business.					
	I do not regularly monitor our customers.					
	I do not regularly analyse customer complaints.					
	I let the entire business know, in a short period, when something important happens to a competitor.					
	I immediately resolve customer complaints in the business.					
	I do not always implement marketing plans effectively.					
	My decisions are generally not based on a comprehensive knowledge of our market.					



		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
	My business takes a long time to respond to changes in customer's needs.					

### **SECTION E: GENERAL**

Q. 27. There may be specific factors that play an important role to improve functioning of a business (i.e. the educational level of the employees). Which factors can, in your opinion, make an important contribution in this regard?

1.
2.
3.
4.

Q.28. Any general/other comments on aspects that affect the future well-being of your business, please list these below.

1.
2.
3.
4.

**\*\*\*THANK YOU FOR COMPLETING THIS QUESTIONNAIRE\*\*\***

**APPENDIX 6:**  
**PAMSS CERTIFICATE**

## **AddressClean (Pty) Ltd**

Registration Number: 2004/000689/07

### Check-number Document

**Client :** INTROYE CORP

**Contact :** Mr Hartmeier

**Telephone Num. :** (011) 886 7366

**Address list :** Introye mail list

**Number of Addresses checked :** 58006


**Address check grade :** A - 100

**Check Number :** B11-7E7-152-106-841

**Date Cleaned :** 2005/02/17

**Expiry Date (calculated from date cleaned) :** 2005/08/17

Issued by : L S MAITSE

Signature : 

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e-mail: mpumi@etl.co.za

27 Harrier Crescent  
Douglasdale Ext 31  
Sandton

Directors: M P S Mafunda (Managing), B N Cowden, A J Petterson

## **APPENDIX 7:**

### **TELEPHONIC FOLLOW-UP**

#### Telephonic follow-up

Respondent Number: .....

We are conducting a telephonic follow-up concerning the completion of a survey on the strategic behaviour of tourism SMMEs.

The following questions had to be answered by each respondent:

6. Did you receive a questionnaire about the strategic behaviour of SMMEs under the auspices of the University of Stellenbosch's Graduate School of Business?
7. Did you complete the questionnaire?
8. If not, do you have any objection against completing the questionnaire?
9. If yes, please state your objections.
10. If not, can you please complete the questionnaire?

Was the questionnaire received?	Yes	
	No	
Was the questionnaire completed?	Yes	
	No	
Any objections to completing the questionnaire?	Yes	
	No	
Objections		
Can a new questionnaire be emailed to you?	Yes	
	No	

Email: .....

## **APPENDIX 8:**

### **EMAIL REMINDER TO RESPONDENTS**

**From:**  
**To:**  
**Date:** 7/4/05 12:33PM  
**Subject:** SMMES Research Survey

Reference No: xxxx

Dear xxxxx

In reference to my telephonic conversation with xxxx concerning the completion of the research questionnaire about the strategic behaviour of tourism SMMES sent to you by post.

Attached please find an electronic copy of the questionnaire for your completion, please fill-in the above reference number in the top the right-hand corner of page1 of the questionnaire.

Please return the completed questionnaire by no later than 6th of July 2005 to this email address.

Alternatively, you may print out the attached questionnaire, completed it, and, mail it in an envelope not exceeding 220mmX115mm to a Prepaid Business Reply Address as indicated hereunder.

BUSINESS REPLY SERVICE LICENCE NO CB7140  
CELTRU  
COLLEGE STREET CAMPUS  
BORDER TECHNIKON  
EAST -LONDON  
5201

Please not that the postage will be paid by the addressee and not by you.

Your assistance in this regard is much appreciated.

Regards



OFFICE USE ONLY

Questionnaire number:-

**An Investigation into the Co-Producers of Preferred Strategic Behaviour in Small, Micro and Medium Tourism Enterprises in South Africa.**  
**August 2005**

---

• Researcher: Dimitri Tassiopoulos • (083 628 9646) •

---

Dear Sir/ Madam,

You were recently contacted telephonically and/ or by email and were invited to participate in a study conducted by the Graduate School of Business of the University of Stellenbosch. We want to thank you for accepting to participate in this very important study.

The purpose of the study is to determine the nature of strategic behaviour amongst **small, micro and medium tourism enterprises (SMMTEs) in South Africa** and utilise the results to **improve business performance and sustainability**. Almost 2000 tourism related businesses (travel, hospitality and etcetera) have been included in this study and the results are seen to have far-reaching effect.

The study is being conducted by Dimitri Tassiopoulos (the current Associate Director of the Centre of Excellence in Leisure and Tourism at Walter Sisulu University) as part of his PhD research at the Graduate School of Business of the University of Stellenbosch.

**The confidentiality (anonymity) of the information supplied to us is guaranteed.** You will not be victimised for any information that you provide. You have the right to refuse to participate or to answer some of the questions. The emphasis is on learning from successful and less successful South African tourism business and not to report on any specific enterprise. It should take about **15 to 20 minutes** to complete the questionnaire. **A detailed summary of the final conclusions will be made available to you if you participate in this study.**

**Your participation is crucial in the success of this survey.** With the competitive environment becoming increasingly volatile and threatening, your participation will also help you to become better equipped **to ensure growth and success.**

Please return the completed questionnaire, in the Business Reply Service envelope provided, **before 31 August 2005**. Any enquiry may be directed to Dimitri Tassiopoulos at 083 626 9646 or to myself at 021 808 3563

Thanking you in anticipation.

Yours sincerely,

**PROF. T. J. DE CONING (Study Leader)**

## **APPENDIX 9:**

### **SECOND EMAIL REMINDER TO RESPONDENTS**

Dear XXXXXi

With reference to our recent communication concerning your completion of the SMMES Research questionnaire from the University of Stellenbosch Business School, please note that we have mailed the questionnaire to your postal address. In addition, we have included a business reply envelope for returning the questionnaire at no cost to you.

We appreciate your willingness to participate in this important study. We look forward to receiving your completed questionnaire by the 31st August 2005.

Should you have already completed this questionnaire please ignore this email.

Regards

## **APPENDIX 10:**

### **SECOND TELEPHONIC FOLLOW-UP AFTER MAILING OF QUESTIONNAIRE**

Respondent Number: .....

We recently contacted you concerning your willingness to participate in a research project of the University of Stellenbosch Business School. Our records show that you have not returned your completed questionnaire. Could you please answer the following questions.

The following questions had to be answered by each respondent:

Did you receive the questionnaire?

Did you complete the questionnaire?

If not, did you have any objection against completing the questionnaire?

If yes, please state your objections.

Was the questionnaire received?	Yes	
	No	
Was the questionnaire completed?	Yes	
	No	
Any objections to completing the questionnaire?	Yes	
	No	
Reason for Objection		

Email:.....

Cell no:.....



## **APPENDIX 11:**

### **SECOND EMAIL REMINDER**

Dear Sir/ Madam

With reference to our recent communication (telephonic, by mail and by email) concerning your willingness to participate in the completion of the SMMES Research questionnaire from the University of Stellenbosch Business School. Our records indicate that we have to date not received the completed questionnaire from you.

We appreciate your willingness to participate in this important research survey. We look forward to receiving your completed questionnaire within the next week.

Should you have already completed this questionnaire, and mailed it back to us, please ignore this email.

Regards

## APPENDIX 12:

### CODING OF THE QUESTIONNAIRE

#### SECTION A: INTRODUCTION

Q.1 Indicate your Geographical location.

1.1	Eastern Cape	
1.2	Free State	
1.3	Gauteng	
1.4	KwaZulu Natal	
1.5	Limpopo	
1.6	Mpumalanga	
1.7	North West	
1.8	Northern Cape	
1.9	Western Cape	
1.10	Uncertain/unknown	

**STATE TOWN .....**

Q.2 For how long has this business been in existence?

2.1	Less than three months	
2.2	Between three and 42 months (or 3.5 years)	
2.3	More than 42 months (or 3.5 years)	
2.4	Uncertain/don't know	

**SPECIFY .....**

Q.3 How many branches other than this one do you have in South Africa?

3.1	None	
3.2	One	
3.3	Two	
3.4	Three to five	
3.5	Six to 10	
3.6	11 to 20	
3.7	21 to 30	
3.8	31 to 50	
3.9	51 to 75	
3.10	76 to 100	
3.11	100 +	
3.12	Uncertain/don't know	

Q.4 What type of business is this establishment?

4.1	Sole trader	
4.2	Partnership	
4.3	Close corporation	
4.4	Private Company (Pty) Ltd	
4.5	Public Company	
4.6	Trust	
4.7	Franchise	
4.8	Other	

- Q5. Is this a family business? (i.e. the main owner is a family member, family members jointly own more than 50 percent of the business equity, family members participate in critical business decisions; and, the business has the potential to be passed on to the next generation's family members to control).

5.1	Yes	
5.2	No	

- Q.6 Please indicate in which sector of the tourism industry your business is mainly involved in.

6.1	Transportation sector		<b>SPECIFY</b> .....
6.2	Private sector support services		<b>SPECIFY</b> .....
6.3	Recreation, leisure and attractions sector		<b>SPECIFY</b> .....
6.4	Travel, wholesale and retail services sector		<b>SPECIFY</b> .....
6.5	Events sector		<b>SPECIFY</b> .....
6.6	Accommodation and catering sector		<b>SPECIFY</b> .....
6.7	Public sector support services		<b>SPECIFY</b> .....
6.8	Other		<b>SPECIFY</b> .....

- Q.7 How many full-time employees does this business employ?

7.1	None		<b>SPECIFY</b> .....
7.2	Up to 4 employees		
7.3	5 to 9 employees		
7.4	10 to 49 employees		
7.5	50 to 99 employees		
7.6	100 or more employees		
7.7	Uncertain/don't know		

- Q.8 Please estimate how many full-time jobs this business can create within the next five years.

8.1	None		<b>SPECIFY</b> .....
8.2	Up to 4 employees		
8.3	5 to 9 employees		
8.4	10 to 49 employees		
8.5	50 to 99 employees		
8.6	100 or more employees		
8.7	Uncertain/don't know		

- Q.9 How many part-time employees does this business employ per annum?

9.1	None		<b>SPECIFY</b> .....
9.2	Up to 4 employees		
9.3	5 to 9 employees		
9.4	10 to 49 employees		
9.5	50 to 99 employees		
9.6	100 or more employees		
9.7	Uncertain/don't know		

Q 10 Please estimate the total gross annual turnover of your business.

10.1	Less than R150 000	
10.2	R150 000 to less than R1 million	
10.3	R1 million to less than R5 million	
10.4	R5 million to less than R8 million	
10.5	More than R8 million	
10.6	Uncertain/don't know	

Q 11. Please estimate the total gross asset value (fixed property excluded) of your business.

11.1	Less than R100 000	
11.2	R100 000 to less than R150 000	
11.3	R150 000 to less than R0,6 million	
11.4	R0,6 million to less than R1,5 million	
11.5	More than R1,5 million	
11.6	Uncertain/don't know	

Q12. Please indicate your gender

12.1	Male	
12.2	Female	

Q13. Please indicate your age

13.1	18 - 24 years of age	
13.2	25 - 34 years of age	
13.3	35 - 44 years of age	
13.4	45 - 54 years of age	
13.5	55 - 64 years of age	
13.6	65 years and older	
13.7	No response	

Q14. Please indicate your highest educational qualification obtained.

14.1	Grade 10 (Std 8) or lower		
14.2	Grade 12 (Std 10) or Matriculation		
14.3	National diploma (3 year qualification)		<b>SPECIFY .....</b>
14.4	Degree (3 or 4 year qualification)		<b>SPECIFY .....</b>
14.5	Post-graduate		<b>SPECIFY .....</b>
14.6	Other educational qualification		<b>SPECIFY .....</b>

Q15. Please indicate your population group

15.1	Black African	
15.2	Coloured	
15.3	Asian/Indian	
15.4	White	

## **SECTION B: ATTRIBUTES OF SMALL BUSINESS OWNERS**

Q. 16. Hereunder are a number of statements that are indicative of individual business owners' personal convictions. Read each statement carefully and indicate your choice by placing an X in the spaces as appropriate.

		Agree	Don't Agree
		1	2
16.1	Unfortunately a person does not always get recognition for their worth, no matter how hard they try.		
16.2	When plans are conceptualised, I am practically sure that I will succeed.		
16.3	Most people do not realise to what degree their lives are controlled by incidental events.		
16.4	Sometimes I feel that I do not have enough control over my life in regard to the direction it is taking.		
16.5	To get what I want, (personally) nothing or little has to do with luck.		
16.6	Many of the unlucky things that happen to people can be ascribed to fate.		

- Q. 17 Have you had FORMAL education (structured educational programme) in any of the following management fields? Please select the appropriate choices as relevant to you by placing an X in the spaces as appropriate. More than one response is possible.

		No education	education
		1	2
17.1	Financial management		
17.2	Marketing management		
17.3	Humans Resource management		
17.4	Strategic management		
17.5	General management		
17.6	Tourism business studies		
17.7	Other		

**SPECIFY**.....

- Q. 18 Have you any experience in the following management field prior to starting the business. Please select the appropriate choices as relevant to you by placing an X in the spaces as appropriate. More than one response is possible.

		No experience	Experience
		1	2
18.1	Financial management		
18.2	Marketing management		
18.3	Humans Resource management		
18.4	Strategic management		
18.5	General management		

- Q. 19. Do you have technical/ practical (learning in the workplace) experience that is relevant to the business?  
Select the appropriate response.

	19.1		19.2
YES		NO	

- Q. 20. People have various reasons as to why they start a business. Hereunder are a number of statements. Please indicate to what degree this applies to you.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
20.1	A need for me to create my own employment.					
20.2	A desire to make a real contribution toward economic growth and development.					
20.3	A need to prove to others and myself that I can be successful.					
20.4	To strive for a good standard of living for myself and my family.					
20.5	A need to create unique ideas.					
20.6	A need to improve my financial situation.					

- Q. 21 Which of the reasons provided in Question 20 are the most important to you? Please indicate your choice by selecting 3 of the most appropriate question numbers (i.e. 20.7 etcetera) and rank these hereunder:

21.1	The most important	
21.2	The second most important	
21.3	The third most important	

- Q. 22. From time to time you as a business person are confronted with decisions that can have a favourable influence i.e. the development of new markets. To what degree would the following aspects influence your final decision?

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
22.1	The avoidance of risk that may threaten the sustainability of the business.					
22.2	The maintenance of existing rules and regulations of the business.					
22.3	The need to operate a fast growing business					
22.4	Assurances that possible expansion will not threaten my position within the business.					

- Q. 23 Please select one of the aspects indicated in Question 22 that have the greatest influence on your decision-making. Please indicate your choice by selecting the 3 most appropriate question numbers (i.e. 22.5 etcetera) for you and rank these hereunder:

23.1	The most important	
23.2	The second most important	
23.3	The third most important	

- Q. 24 One of the most common challenges faced by business owners is that they want their business to produce the best results possible. Hereunder are 6 possible approaches that could assist to achieve this. Please indicate, in each, how important you consider these.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
24.1	The achievement of high gross profit margins.					
24.2	The need to strive to be up-to-date with social and economic trends.					
24.3	Strict control of the quality of products/ services.					
24.4	Integration into the community's organised trade activities					
24.5	Strict control of business expenditures					
24.6	To be up-to-date with the activities of their competition.					

- Q. 25 Which of the reasons provided in Question 24 are the most important to you? Please indicate your choice by selecting the 3 appropriate question numbers (i.e. 24.7 etcetera) and ranking these hereunder:

25.1	The most important	
25.2	The second most important	
25.3	The third most important	



**SECTION C: STRATEGIC BEHAVIOUR (organisational level)**

Q 26. Businesses implement various strategic actions in order to improve their business performance. Please indicate how the following statements apply to your business.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
26.1	Long-term (5 years or more) "planning" within the business takes place according to predetermined decision-making structures.					
26.2	The long-term direction(5 years or more) of the business is determined through on-going dialogue with the long-term partners (or owners) of the business.					
26.3	The owners of the business seek to achieve competitive advantage for the business.					
26.4	Decisions affecting the long-term future (5 years or more) of the business take all business activities into account.					
26.5	The business's long-term (5 years or more) activities are not matched with the business's environment.					
26.6	All efforts are made to "stretch" the business's resources.					
26.7	Where inter-personal rivalry occurs in the business, little is done to manage it.					
26.8	The budget (time and money) makes provision for employees to experiment with new business ideas.					
26.9	People involved in the business are not provided opportunities to learn from their mistakes.					
26.10	Relevant internal and external information sources are used to draw up long-term plans for the business.					
26.11	Employees are not informed about the long-term plans of the business.					

26.12	Key employees are identified to accomplish the long-term objectives of the business.					
26.13	There is little sharing of lessons about market behaviour between the various "sections" of the business.					
26.14	Customer information is used to plan to improve business performance on the long-term.					
26.15	Our markets are not monitored regularly.					
26.16	Our customer contact employees do not feed market information to the owners of the business.					
26.17	We regularly benchmark our performance against the best businesses in the sector.					
26.18	We undertake regular post-audits of unsuccessful business projects.					
26.19	We have formal mechanisms in place to determine a deep understanding of our customers and markets.					
26.20	The behaviour of our people is the result of their desire to learn more about our customers and markets.					
26.21	We respond rapidly to competitive actions.					
26.22	Our competitive actions are based on understanding our customers' needs.					
26.23	The owners of this business seldom discuss competitors' strategies.					
26.24	Most "sections" of the business get along well with each other in this organisation.					
26.25	Information is shared among "departments" in this business.					
26.26	In this business little action can be taken until the owner approves it.					
26.27	For the future good of the business there is a need to develop good relationships inside the business.					
26.28	For the future good of the business there is a need to develop good relationships outside the business.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
26.29	The future of our business depends on developing the business as a whole.					
26.30	A strong emphasis on the marketing of tried and tested products or services.					
26.31	The long-term planning (5 years or more) process mainly involves employees within the business.					
26.32	The structure of the long-term (5 years or more) planning process is flexible and allows intuitive input from the people in the business.					
26.33	In general, the owners of the business have a strong inclination for low risk projects (with normal and certain rates of return).					
26.34	When confronted with decision-making situations my business typically adopts a bold and aggressive attitude.					
26.35	The business owner should be able to generate creative ideas on how to develop the business.					
26.36	The business owner should be able to excite other members of the business in turning business ideas into competitive advantages for the business.					
26.37	We routinely gather opinions from our clients.					
26.38	We explicitly track the tactics of our competitors.					
26.39	We have a comprehensive information system to gather information about the performance of our business.					
26.40	Periodic brainstorming by the members of the business is used as a decision-making technique for novel solutions to problems.					
26.41	We use staff specialists to investigate and write reports on major decisions as a decision-making technique.					

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
26.42	The speed with which we make important business decisions varies because of time pressures.					
26.43	Decisions aimed at the resolution of crises are most common.					
26.44	The emphasis is on the immediate future when making management decisions.					
26.45	The most important operational processes in the business are carefully documented.					
26.46	We want the business to develop in carefully planned steps.					

**SECTION D: STRATEGIC BEHAVIOUR (Individual level)**

Q.27. Individuals in the business play a key role in its development. Please indicate how the following statements apply to your business.

		Completely disagree	Slightly disagree	Undecided	Slightly agree	Completely agree
		1	2	3	4	5
27.1	I see no need to understand the business within the broader business environment.					
27.2	I see innovation as an integral competence for the long-term (5 years or more) survival of the business.					
27.3	I believe that a vision of the long-term future (5 years or more) of the business is not important.					
27.4	I am of the opinion that being in the right place, at the right time is an important strategic action of the business.					
27.5	I believe that there are no "untouchable issues" when the long-term planning (5 years or more) is taking place.					
27.6	I ensure that strategy is continually improved and reviewed.					
27.7	I believe that it is not necessary to be formulate strategic goals.					
27.8	I believe that we should consider the past when we plan the future of the business.					
27.9	I talk to those I lead about my most important values and beliefs.					
27.10	I specify the importance of having a strong sense of purpose.					
27.11	I emphasise the value of questioning assumptions.					
27.12	I seek differing perspectives when solving problems.					
27.13	I look at problems from many different angles.					

27.14	I encourage non-traditional thinking to deal with traditional problems.					
27.15	I meet regularly with my customers to determine what products/services they will need in the future.					
27.16	I am slow to detect changes in my customer's product / service preferences.					
27.17	I have formal processes for continually collecting information from the market.					
27.18	I often talk to those who can influence my end-user's purchase e.g. retailers, distributors.					
27.19	I do not have an up-to-date customer database.					
27.20	I am constantly aware of what changes in market conditions mean for our customer's requirements.					
27.21	I freely communicate information about our customers throughout my business.					
27.22	I very rarely have "inter-departmental" meetings to discuss market trends.					
27.23	I seldom circulate documents that provide information on our markets.					
27.24	I have formal processes for sharing information throughout the business.					
27.25	I do not regularly monitor our customers.					
27.26	I do not regularly analyse customer complaints.					
27.27	I let the entire business know, in a short period, when something important happens to a competitor.					
27.28	I immediately resolve customer complaints in the business.					
27.29	I do not always implement marketing plans effectively.					
27.30	My decisions are generally not based on a comprehensive knowledge of our market.					
27.31	My business takes a long time to respond to changes in customer's needs.					

**SECTION E: GENERAL**

- Q. 27. There may be specific factors that play an important role to improve functioning of a business (i.e. the educational level of the employees). Which factors can, in your opinion, make an important contribution in this regard?


- Q.28. Any general/other comments on aspects that affect the future well-being of your business, please list these below.


**\*\*\*THANK YOU FOR COMPLETING THIS QUESTIONNAIRE\*\*\***

## APPENDIX 13:

## TOWNS FROM WHICH RESPONDENTS ORIGINATE

State town				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	30	17.9	17.9	17.9
Arniston	1	.6	.6	18.5
Benoni	2	1.2	1.2	19.6
Bloemfontein	1	.6	.6	20.2
Boksburg	1	.6	.6	20.8
Bredasdorp	1	.6	.6	21.4
Cape Town	34	20.2	20.2	41.7
Centurion	1	.6	.6	42.3
Citrusdal	1	.6	.6	42.9
Durban	9	5.4	5.4	48.2
East London	10	6.0	6.0	54.2
Escourt	1	.6	.6	54.8
Greighton	1	.6	.6	55.4
Haga Haga	1	.6	.6	56.0
Hartswark	1	.6	.6	56.5
Hazyview	1	.6	.6	57.1
Hectorspruit	1	.6	.6	57.7
Hillcrest	1	.6	.6	58.3
Hluhluwe	1	.6	.6	58.9
Hoggsback	1	.6	.6	59.5
Jeffreys Bay	1	.6	.6	60.1
Johannesburg	27	16.1	16.1	76.2
Kempton Park	1	.6	.6	76.8
Kenton	1	.6	.6	77.4
Kimberly	1	.6	.6	78.0
Kroonstad	1	.6	.6	78.6
Lainsburg	1	.6	.6	79.2
Loeriesfontein	1	.6	.6	79.8
Melmoth	1	.6	.6	80.4
Mkuze	1	.6	.6	81.0
Mossel Bay	2	1.2	1.2	82.1
Nelspruit	1	.6	.6	82.7
Newcastle	1	.6	.6	83.3
Pearston	1	.6	.6	83.9
Piet Retief	1	.6	.6	84.5
Pietermaritzburg	5	3.0	3.0	87.5
Plettenberg Bay	1	.6	.6	88.1
Port Elizabeth	2	1.2	1.2	89.3
Pretoria	1	.6	.6	89.9
Robertson	1	.6	.6	90.5
Rustenburg	1	.6	.6	91.1
Sabie	1	.6	.6	91.7
Sandton	1	.6	.6	92.3
Springs	1	.6	.6	92.9
St Helena Bay	1	.6	.6	93.5
Swellendam	2	1.2	1.2	94.6
Trompsburg	1	.6	.6	95.2
Tshwane	3	1.8	1.8	97.0
Underberg	1	.6	.6	97.6
Welkom	1	.6	.6	98.2
White River	2	1.2	1.2	99.4
Willison	1	.6	.6	100.0
Total	168	100.0	100.0	



## **APPENDIX 14:**

### **STEPS TAKEN TO TRANSFORM THE DATA FOR HIGHER LEVEL STATISTICAL ANALYSIS**

This section provides a detailed explanation of the steps undertaken to transform (with MS Excel “Macros”) the raw research data findings into data useable for higher statistical analysis. Phase 1 was the initial phase undertaken but excluded questions 20, 22 and 24. It was initially decided at that stage of the study the said questions would be handled in a descriptive manner only.

Phase 2 was embarked on, after the Phase 1 results of the Pearson’s correlations, between questions 26 and 27, and questions 21, 23 and 25 were analysed and the higher-level statistical results for the said three questions were deemed contradictory. Questions 21, 23 and 25 required the respondents to rank the most appropriate items as indicated under questions 20, 22 and 24. It was deduced that that the contradictory results was possibly due to the relatively small research population of the study being broken-up into even further smaller research segments and then conducting correlation analysis.

Refer to each heading hereunder for a more detailed explanation, per question.

#### **Questions 16 (phase 1)**

##### **Refer to Section 6.3.2.1**

It refers to the locus of control of SMMTE owners. In view of the six statements, indicated in question 16, the following desired responses were sought to determine the internal locus of control of the respondents:

- 1 is no (or don’t agree)
- 2 is yes (or agree)
- 3 is no (or don’t agree)
- 4 is no (or don’t agree)
- 5 is yes (or agree)
- 6 is no (or don’t agree)

**Table 6.17.1 (or Table 5.3.1) Locus of control seven-point scale**

Combinations	Scale
Only external responses	1
5 external and 1 internal responses	2
4 external and 2 internal responses	3
3 external and 3 internal responses	4
2 external and 4 internal responses	5
1 external and 5 internal responses	6
Only internal responses	7

The responses were initially coded as either 1 or 2; refer to columns C-H. These responses were then recoded into either 0 or 1, where 0 was not the desired outcome and 1 was the desired (columns I to N) outcome. The desired outcomes were then totalled in Column O. Keeping in mind that the scale (as depicted in Table 6.17.1) is a 7-point scale ranging from 1 (only external responses) to 7 (only internal responses), and because the study desired internal locus of control outcomes, point 1 on the scale has to be accommodated as it only contains external control attributes. The output in Column N was thus created by adding 1 to the output in column O to accurately determine the point on the 7-scale for each respondent. For example, Respondent 1 is a 4, not 3, on the 7-point scale.

**Questions 17 (phase 1)****Table 6.18.1 (or Table 5.3.2) Management education of SMMTE owners**

Combinations	Scale
No education	1
1 education and 6 none	2
2 education and 5 none	3
3 education and 4 none	4
4 education and 3 none	5
5 education and 2 none	6
6 education and 1 none	7
7 education in all categories	8

Table 6.18.1 provides the basis for transforming the data to this question. The raw data was captured (columns Q to W) where 1 indicated no formal management education and 2 indicated formal management education. The raw data was transformed as follows: where the respondent indicated no formal management education a 0 was indicated and where formal management education was indicated a 1 was inserted. Non-responses were left blank (Columns X to AE). Column AF is the sum for each respondent e.g. Respondent 1 has a score of 5 on the 8-point scale indicated above.

**Questions 18 (phase 1)****Table 6.19.1 (or Table 5.3.2) Prior-management experience scale**

Combinations	Scale
No prior experience	1
1 prior experience and 4 none	2
2 prior experience and 3 none	3
3 prior experience and 2 none	4
4 prior experience and 1 none	5
5 prior experience in all categories	6

Table 6.19.1 provides the basis for determining the prior management experience of the respondents. The raw data was captured where 1 indicated no prior management experience and 2 indicated prior management experience. The raw data was transformed as follows: where the respondent indicated no prior management experience a 0 was placed and where prior management experience was indicated a 1 was placed. Non-responses were left blank (Columns AL to AP). Column AR is the sum for each respondent e.g. Respondent 1 has a score of 6 on the 6-point scale indicated above. 1 was added to sum in order to realign the actual scores to accommodate that one of the categories in table above indicated no-prior experience.

**Questions 20 (phase 2)****Table 6.21.2 (also refer to Table 5.3.3) Entrepreneurial attitude of SMMTE owners**

Combinations	Scale
No entrepreneurial reasons	1
1 entrepreneurial reason	2
2 entrepreneurial reasons	3
3 entrepreneurial reasons	4

Table 6.21.2 provides the basis for determining the entrepreneurial reasons for starting a business.

Respondents were required to indicate on a 5-point scale their opinion of 6 statements measuring their entrepreneurial reasons for starting the business. Questions 20.3, 20.3 and 20.5 however had been pre-determined as measuring the entrepreneurial reasons of the owners and were the desired items. In order for the raw data to be used for higher level statistical analysis, the following steps were taken to transform the data (columns AT to AY): only Questions 20.3, 20.3 and 20.5 were used, if the respondent indicated “slightly agree” or “completely agree” for the said question items, it was indicated as positive or given a 1, all other responses were considered as negative and given a 0. Thus, columns AZ to BB indicate the transformed data for this section. Lastly, 1 was added to realign the output data column (BC) to the 4-point scale indicated above as it accommodates non-entrepreneurial reasons as well which is not a desired trait in this study. Column BC is the sum of AZ to BB, plus 1. 1 was added because, as indicated in Table 6.21.2, point 1 on the scale refers to non-entrepreneurial reasons for starting the business only. Keeping in mind that the transformed data output only caters for entrepreneurial reasons from starting the business, adjustments needed to be made to accommodate non-entrepreneurial reasons as well, hence the adding of 1.

The entrepreneurial value system and motivations of the SMMTE decision-makers, according to the literature, findings in Section 5.7.4.4, can be associated with the need for growth and development. A set of questions were posed to the respondents concerning the entrepreneurial

values and motivations of the SMMTE decision-makers as to why they started their own business. Three of the six questions presented, probed their entrepreneurial view/motivation; the other three probed the non-entrepreneurial view/motivation of the respondents. The questions that refer to the "more stronger" entrepreneurial views/ motivations for starting a business are questions 2, 3 and 5 and for that reason are used in the correlations and given a value of 1, all other question items were given a 0.

I seemed to have not explained this in the notes. The output in BD refers together a 1 or 0 being used to transform the responses from the respondents. Keeping in mind that the respondents were asked to rate a number of statements on the 5 point Likert scale. It was decided that only questions 2, 3 and 5 would be considered as entrepreneurial reasons for starting a business. If the respondent rated a statement as 4 or greater, the data was indicated as a 1, otherwise a 0 was captured (AZ to BB). Column BC is the summation of the previous, plus 1 to accommodate it on the 4-point scale where point 1 is non-entrepreneurial.

Column BD was used to run correlations with the strategic behaviour sections. A 1 was allocated for a sum of 3 or 4, otherwise a 0 was allocated. For example, respondent 1 was allocated a 1 because the score was 3 on the 4 point scale.

The research design requires that associations/correlations between the independent variables i.e. SMMTE owner attributes etcetera and the dependent variables i.e. strategic behaviour variables be measured. It was deemed appropriate to transform the 5 point scale into a dichotomous one to run correlations. The study required the measure of the association between entrepreneurial reasons for starting a business and strategic behaviour. The 5-point scale was thus transformed because the higher level study needed to determine if the respondents had entrepreneurial reasons for starting the business and not the degree/rating of such statement and how this associated then with strategic behaviour. A 4 or 5 rating on the 5 point scale was then deemed as an entrepreneurial reason and was used to run correlations.

### Questions 21 (phase 1)

The raw data was captured with the respondents having to rank the three most important statements as indicated in Questions 20. Question items 20.3, 20.3 and 20.5 however have been pre-determined as entrepreneurial items and were deemed the desired items. The raw data was transformed as follows: where the respondent indicated a non-entrepreneurial choice, a 0 was placed, and where an entrepreneurial choice was given, a 1 was indicated. Non-responses were left blank (Columns BH to BJ) e.g. Respondent 1 has only 1 entrepreneurial reason viz the first and second ranked items were non-entrepreneurial and only the third-ranked one was entrepreneurial.

### Questions 22 (phase 2)

**Table 6.22.2 Two-point scale for risk profiling the SMMTE owners**

Combinations	Scale
All risk-avoidance reasons only	1
1 risk-seeking, 3 risk avoidance reasons	2

Table 6.22.2 provides the basis for determining the risk profile of the owners.

Respondents were required to indicate on a 5-point scale their opinion of 4 statements measuring the risk profile of the respondents. Questions item 22.3 however had been pre-determined as the only item measuring the risk-seeking behaviour of the owners and was the only desired item. In order for the raw data to be used for higher level statistical analysis, the following steps were taken to transform the data (columns BK to BN): only Question item 22.3 was used, if the respondent indicated “slightly agree” or “completely agree” for the said item, it was indicated as positive or given a 1, all other responses were considered as negative and given a 0. Thus, column BO indicates the transformed data for this section. Lastly, 1 was added to realign the output data with the 2-point scale indicated above because the scale also accommodates only risk-avoidance reasons which is not a desired trait in this study (column BO).

### Questions 23 (phase 1)

The raw data was captured with the respondents having to rank the three most important statements as indicated in Questions 22. Question item 22.3, however, had been pre-determined as the only risk-seeking item and was the only desired item as all other items were deemed as non-risk seeking. The raw data was transformed as follows: where the respondent indicated a non-risk-seeking choice, a 0 was placed, and where a risk-seeking response was given a 1 was inserted. Non-responses were left blank (Columns BT to BV) e.g. Respondent 1 did identify the risk-seeking item and it was ranked as second most important.

### Questions 24 (phase 2)

**Table 6.23.2 (or refer Table 5.3.4) Holistic capabilities**

Combinations	Scale
3 internal reasons	1
2 internal and 1 external	2
1 internal and 2 external	3
3 external reasons	4

Table 6.23.2 provides the basis for determining the conceptual reasons for starting a business.

Respondents were required to indicate on a 5-point scale their opinion of 6 statements measuring their conceptual capabilities (external oriented). Question items 24.2, 24.4 and 24.6 however had been pre-determined as measuring the holistic capabilities (thus entrepreneurial) of the owners and were the desired questions. In order for the raw to be used for higher level statistical analysis, the following steps were taken to transform the data (columns BW to CB): only Questions 24.2, 24.4 and 24.6 were used, if the respondent indicated “slightly agree” or “completely agree” for the said questions, it was indicated as positive or given a 1, all other responses were considered as negative and given a 0. Thus, columns CC to CE indicate the transformed data for this section. Lastly, 1 was added to realign the output data with the 4-point



scale indicated above because the scale accommodates 3 internal reasons as well which is not a desired trait in this study.

### **Questions 25 (phase 1)**

The raw data was captured with the respondents having to rank the three most important statements as indicated in Questions 24. Questions 24.2, 24.4 and 24.6, however, have been pre-determined as measuring the holistic capabilities (thus entrepreneurial) of the owners and were the desired question items. The raw data was transformed as follows: where the respondent indicated a non- conceptual choice, a 0 was placed, and where a conceptual choice was given a 1 was placed. Non-responses were left blank (Columns CK to CM) e.g. Respondent 1 has only 1 conceptual reason viz the first and second ranked items were non-conceptual and only the third-ranked one was conceptual.

**APPENDIX 15:**  
**RELIABILITY TESTING OF ORIGINAL STRATEGIC**  
**BEHAVIOUR VARIABLES**

Summary for scale: Mean=114.738 Std.Dv.=12.9266 Valid N:145 (Spreadsheet1 in reliability 2007). Cronbach alpha: .799031 Standardized alpha: .807202 Average inter-item corr.: .125491					
variable	Mean if deleted	Var. if deleted	StdV. if deleted	Item-Totl Correl.	Alpha if deleted
Q.26.1	111.0690	148.5056	12.18629	0.527359	0.782983
Q.26.2	110.6965	151.9769	12.32789	0.460611	0.786859
Q.26.3	110.2552	157.8590	12.56420	0.367147	0.792170
Q.26.4	110.2759	156.9308	12.52720	0.409599	0.790813
Q.26.5	111.2414	158.3762	12.58476	0.176711	0.800003
Q.26.10	110.5724	152.0241	12.32980	0.477414	0.786385
Q.26.11	111.2069	148.8813	12.20169	0.442175	0.786595
Q.26.14	110.1172	159.9656	12.64775	0.335224	0.793945
Q.26.15	111.2966	147.8362	12.15879	0.426805	0.787329
Q.26.17	110.8897	154.8706	12.44470	0.324738	0.792657
Q.26.19	111.0828	148.0207	12.16638	0.532081	0.782572
Q.26.22	110.1310	159.4794	12.62851	0.339266	0.793587
Q.26.23	111.0690	153.0159	12.36996	0.316768	0.793327
Q.26.24	110.4414	157.7914	12.56150	0.330299	0.792973
Q.26.25	110.5103	154.0568	12.41196	0.452585	0.788166
Q.26.26	112.2552	153.4590	12.38786	0.292170	0.794776
Q.26.27	110.2138	164.3198	12.81873	0.029954	0.803309
Q.26.28	109.9655	164.1299	12.81132	0.085608	0.799964
Q.26.29	110.0069	162.6413	12.75309	0.161490	0.798203
Q.26.30	110.1931	158.6386	12.59518	0.341492	0.793086
Q.26.33	110.9724	163.4199	12.78358	0.040814	0.804733
Q.26.34	112.5172	171.3256	13.08914	-0.211569	0.816931
Q.26.37	110.4276	153.9137	12.40620	0.437427	0.788472
Q.26.38	111.1241	154.0535	12.41183	0.333060	0.792282
Q.26.39	110.8138	145.8067	12.07504	0.594650	0.779189
Q.26.41	112.2000	151.4841	12.30789	0.394018	0.789269
Q.26.42	112.3172	167.7614	12.95228	-0.104151	0.812810
Q.26.44	112.2966	159.8914	12.64482	0.138328	0.801500
Q.26.45	110.6965	150.3631	12.26226	0.502513	0.784758
Q.26.46	110.5448	153.4342	12.38686	0.485278	0.787027

## Foster strategic dialogue (split half)

Cronbach alpha, full scale: .79903 Standardized alpha: --- (Spreadsheet1 in reliability 2007-10-2)		
Corr. 1st & 2nd half: .681815 Attenuation corrected: ---		
Split-half reliability: .810809 Guttman split-half: .783819		
N=145	Summary 1st Half	Summary 2nd Half
No.Items	13	17
Mean:	49.80690	64.93104
Sum:	7222.000	9415.000
Std.Dv.	5.850328	8.208782
Variance	34.22634	67.38410
Alpha	.5528283	.7270972
ITEMS 1:	Q.26.2	Q.26.1
2:	Q.26.14	Q.26.3
3:	Q.26.15	Q.26.4
4:	Q.26.19	Q.26.5
5:	Q.26.23	Q.26.10
6:	Q.26.25	Q.26.11
7:	Q.26.27	Q.26.17
8:	Q.26.29	Q.26.22
9:	Q.26.30	Q.26.24
10:	Q.26.33	Q.26.26
11:	Q.26.34	Q.26.28
12:	Q.26.39	Q.26.37
13:	Q.26.44	Q.26.38
14:		Q.26.41
15:		Q.26.42
16:		Q.26.45
17:		Q.26.46

## Exploit ingenuity (Question 26)

Summary for scale: Mean=62.4733 Std.Dv.=7.61815 Valid N:150 (Spreadsheet1 in reliability 2007 Cronbach alpha: .666292 Standardized alpha: .694901 Average inter-item corr.: .127439					
variable	Mean if deleted	Var. if deleted	StdV. if deleted	Item-Totl Correl.	Alpha if deleted
Q.26.6	58.79333	55.85729	7.473773	0.006266	0.688416
Q.26.7	58.46667	50.44889	7.102738	0.267466	0.652785
Q.26.8	58.81333	50.75183	7.124032	0.321854	0.644682
Q.26.9	58.42000	51.59026	7.182636	0.251138	0.654374
Q.26.12	58.25333	51.82915	7.199247	0.328959	0.645294
Q.26.13	58.94000	50.68307	7.119204	0.264318	0.653076
Q.26.16	58.89333	52.50863	7.246284	0.167552	0.667513
Q.26.18	58.86000	50.65373	7.117144	0.304125	0.646945
Q.26.20	58.52000	50.55627	7.110293	0.419785	0.634697
Q.26.21	58.28000	51.54827	7.179712	0.325813	0.645141
Q.26.31	58.91333	51.35915	7.166530	0.240696	0.656306
Q.26.32	58.34667	49.43982	7.031346	0.511374	0.624245
Q.26.35	57.85333	54.81849	7.403951	0.255759	0.656492
Q.26.36	57.77333	54.56196	7.386607	0.309501	0.653515
Q.26.40	58.44000	50.11306	7.079058	0.404153	0.634848
Q.26.43	59.53333	52.00889	7.211719	0.189836	0.664445

## Exploit ingenuity (split half)

Cronbach alpha, full scale: .66629 Standardized alpha: --- (Spreadsheet1 in reliability 2007-10) Corr. 1st & 2nd half: .518772 Attenuation corrected: --- Split-half reliability: .683147 Guttman split-half: .681824		
N=150	Summary 1st Half	Summary 2nd Half
No. Items	8	8
Mean:	30.47333	32.00000
Sum:	4571.000	4800.000
Std. Dv.	4.202423	4.537687
Variance	17.66036	20.59060
Alpha	.3448704	.6181908
ITEMS 1:	Q.26.6	Q.26.8
2:	Q.26.7	Q.26.12
3:	Q.26.9	Q.26.13
4:	Q.26.16	Q.26.18
5:	Q.26.31	Q.26.20
6:	Q.26.35	Q.26.21
7:	Q.26.40	Q.26.32
8:	Q.26.43	Q.26.36

## Holistic understanding (Question 26)

Summary for scale: Mean=97.0464 Std.Dv.=11.9098 Valid N:151 (Spreadsheet1 in reliability 2007 Cronbach alpha: .807357 Standardized alpha: .824666 Average inter-item corr.: .167105					
variable	Mean if deleted	Var. if deleted	Stdv. if deleted	Item-Totl Correl.	Alpha if deleted
Q.27.1	92.56953	134.4836	11.59671	0.224913	0.805810
Q.27.4	93.24503	135.5227	11.64142	0.133244	0.811345
Q.27.5	93.17881	137.9482	11.74513	0.040260	0.816831
Q.27.6	92.71523	128.0315	11.31510	0.637115	0.790909
Q.27.8	92.81457	133.4888	11.55373	0.251653	0.804813
Q.27.9	92.84106	126.9681	11.26801	0.510205	0.792986
Q.27.11	92.53642	134.0500	11.57800	0.350734	0.801423
Q.27.12	92.47020	134.7392	11.60772	0.376972	0.801393
Q.27.13	92.37749	135.4535	11.63845	0.462599	0.801176
Q.27.17	93.55629	124.2601	11.14720	0.512866	0.791557
Q.27.18	93.01987	127.9003	11.30930	0.472219	0.794786
Q.27.19	93.31126	126.5852	11.25101	0.362239	0.800359
Q.27.20	92.90067	126.7252	11.25723	0.552570	0.791528
Q.27.21	93.24503	132.4631	11.50926	0.219899	0.807610
Q.27.22	93.35099	125.8834	11.21978	0.423195	0.796495
Q.27.23	93.55629	127.3594	11.28536	0.342093	0.801541
Q.27.24	93.29801	126.6728	11.25490	0.456940	0.794901
Q.27.25	93.10596	123.5517	11.11538	0.494072	0.792271
Q.27.26	92.55629	131.6773	11.47507	0.346118	0.800706
Q.27.27	93.08609	129.0985	11.36215	0.391316	0.798393
Q.27.28	92.33112	136.1685	11.66913	0.258301	0.804458
Q.27.29	93.83443	130.3898	11.41884	0.292480	0.803678
Q.27.30	93.06622	129.8499	11.39517	0.350013	0.800418
Q.27.31	93.09933	132.5266	11.51202	0.237098	0.806236

## Holistic understanding (split half)

Cronbach alpha, full scale: .80736 Standardized alpha: --- (Spreadsheet1 in reliability 2007-10-2)		
Corr. 1st & 2nd half: .733683 Attenuation corrected: ---		
Split-half reliability: .846386 Guttman split-half: .839102		
N=151	Summary 1st Half	Summary 2nd Half
No.Items	10	14
Mean:	40.29801	56.74834
Sum:	6085.000	8569.000
Std.Dv.	5.839857	6.944752
Variance	34.10393	48.22958
Alpha	.6639360	.6667005
ITEMS 1:	Q.27.12	Q.27.1
2:	Q.27.17	Q.27.4
3:	Q.27.19	Q.27.5
4:	Q.27.20	Q.27.6
5:	Q.27.23	Q.27.8
6:	Q.27.24	Q.27.9
7:	Q.27.26	Q.27.11
8:	Q.27.27	Q.27.13
9:	Q.27.28	Q.27.18
10:	Q.27.31	Q.27.21
11:		Q.27.22
12:		Q.27.25
13:		Q.27.29
14:		Q.27.30

## Creativity (Question 27)

Summary for scale: Mean=12.4717 Std.Dv.=2.24964 Valid N:159 (Spreadsheet1 in reliability 2007					
Cronbach alpha: .419986 Standardized alpha: .416181					
Average inter-item corr.: .192765					
variable	Mean if deleted	Var. if deleted	StdV. if deleted	Itm-Totl Correl.	Alpha if deleted
Q.27.2	8.257862	2.556149	1.598796	0.297289	0.233357
Q.27.14	8.295597	3.289981	1.813830	0.189631	0.429894
Q.27.15	8.389937	2.803924	1.674492	0.271833	0.287222

## Vision (Question 27)

Summary for scale: Mean=16.4472 Std.Dv.=3.35019 Valid N:161 (Spreadsheet1 in reliability 2007 Cronbach alpha: .623520 Standardized alpha: .602992 Average inter-item corr.: .282596					
variable	Mean if deleted	Var. if deleted	StDv. if deleted	Itm-Totl Correl.	Alpha if deleted
Q.27.3	12.34161	5.827398	2.414001	0.498690	0.475485
Q.27.7	12.40994	6.117666	2.473392	0.524837	0.454911
Q.27.10	11.93168	9.517071	3.084975	0.182493	0.673958
Q.27.16	12.65839	6.783920	2.604596	0.418267	0.542503

**APPENDIX 16:****RELIABILITY TESTING OF FOSTERING STRATEGIC BEHAVIOUR**

Foster strategic dialogue (excluding items 26.34 and 26.42)

Summary for scale: Mean=110.158 Std.Dv.=13.1824 Valid N:146 (Spreadsheet) Cronbach alpha: .829836 Standardized alpha: .832292 Average inter-item corr.: .153727					
variable	Mean if deleted	Var. if deleted	Stdv. if deleted	Item-Totl Correl.	Alpha if deleted
Q.26.1	106.4863	154.3594	12.42415	0.544869	0.816717
Q.26.2	106.1164	157.9385	12.56736	0.477871	0.819920
Q.26.3	105.6781	164.3005	12.81798	0.370426	0.824602
Q.26.4	105.6918	163.0488	12.76906	0.427892	0.823043
Q.26.5	106.6712	165.4399	12.86234	0.160092	0.832869
Q.26.10	105.9931	158.6369	12.59512	0.470203	0.820357
Q.26.11	106.6164	155.2227	12.45884	0.441421	0.820885
Q.26.14	105.5342	166.3310	12.89694	0.345892	0.825838
Q.26.15	106.7055	153.8105	12.40204	0.435982	0.821287
Q.26.17	106.3014	160.5256	12.66987	0.351631	0.824604
Q.26.19	106.4931	153.6198	12.39435	0.555281	0.816128
Q.26.22	105.5479	165.6039	12.86872	0.362600	0.825268
Q.26.23	106.5069	159.8664	12.64383	0.300289	0.827424
Q.26.24	105.8562	164.2875	12.81747	0.330526	0.825464
Q.26.25	105.9247	160.4258	12.66593	0.455165	0.821372
Q.26.26	107.6712	159.7686	12.63996	0.296643	0.827708
Q.26.27	105.6301	170.6029	13.06151	0.044102	0.834001
Q.26.28	105.3836	170.7707	13.06793	0.084256	0.831251
Q.26.29	105.4247	169.3950	13.01518	0.152463	0.829948
Q.26.30	105.6096	165.2380	12.85449	0.337515	0.825545
Q.26.33	106.3973	170.3901	13.05336	0.029194	0.836343
Q.26.37	105.8425	160.3930	12.66464	0.435702	0.821834
Q.26.38	106.5342	158.7557	12.59983	0.389254	0.823129
Q.26.39	106.2260	151.9284	12.32592	0.599611	0.814063
Q.26.41	107.6301	156.7673	12.52068	0.427912	0.821492
Q.26.44	107.7123	167.6433	12.94771	0.101817	0.834790
Q.26.45	106.1096	156.5085	12.51034	0.510291	0.818510
Q.26.46	105.9589	160.1079	12.65337	0.474233	0.820814



**APPENDIX 17:****FACTOR ANALYSIS OF QUESTIONS 26 AND 27**

Factor Analysis: Foster strategic dialogue

Eigen values

Eigenvalues (Spreadsheet1 in reliability 2007-10-23.stw) Extraction: Principal components				
Value	Eigenvalue	% Total variance	Cumulative Eigenvalue	Cumulative %
1	5.849285	19.49762	5.849285	19.49762
2	2.160640	7.20213	8.009926	26.69975

## Factor Loadings

Factor Loadings (Varimax normalized) (Spreadsheet1 in reliability 2007-10-23.stw) Extraction: Principal components (Marked loadings are >.700000)		
Variable	Factor 1	Factor 2
Q.26.1	0.635668	0.108165
Q.26.2	0.538008	0.128115
Q.26.3	0.504604	-0.237538
Q.26.4	0.536984	-0.174066
Q.26.5	0.215571	-0.095391
Q.26.10	0.548267	-0.024559
Q.26.11	0.520742	-0.074393
Q.26.14	0.353203	0.266237
Q.26.15	0.529122	-0.095917
Q.26.17	0.492414	-0.108347
Q.26.19	0.633094	0.167029
Q.26.22	0.425075	0.145719
Q.26.23	0.413204	-0.251376
Q.26.24	0.346178	0.196103
Q.26.25	0.482737	0.122991
Q.26.26	0.423459	-0.149269
Q.26.27	-0.012556	0.317559
Q.26.28	-0.037559	0.527777
Q.26.29	0.004006	0.673341
Q.26.30	0.277253	0.469269
Q.26.33	-0.048583	0.520217
Q.26.34	-0.298086	0.066747
Q.26.37	0.433796	0.377499
Q.26.38	0.493586	0.176463
Q.26.39	0.673332	0.153169
Q.26.41	0.542719	0.135262
Q.26.42	-0.149913	-0.075180
Q.26.44	0.172239	-0.243786
Q.26.45	0.554553	0.234195
Q.26.46	0.426889	0.508700
Expl.Var	5.677662	2.332263
Prp.Totl	0.189255	0.077742

Factor one was renamed “planning focus”

Factor two was renamed “synergistic business development”

## Exploratory Factor Analysis: Exploit ingenuity

## Eigen values

Eigenvalues (Spreadsheet1 in reliability 2007-10-23.stw) Extraction: Principal components				
Value	Eigenvalue	% Total variance	Cumulative Eigenvalue	Cumulative %
1	3.124972	19.53108	3.124972	19.53108

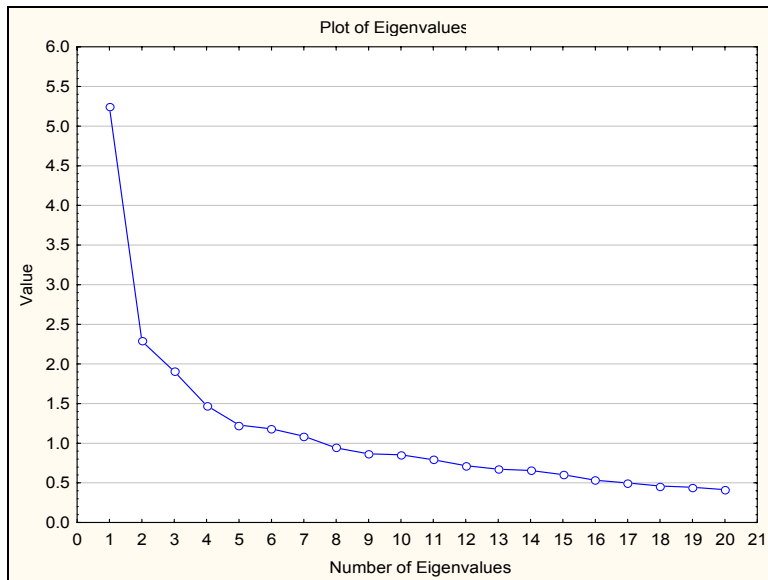
## Factor Loadings (Unrotated)

Factor Loadings (Unrotated) (Spreadsheet1 in reliability 2007-10-23.stw) Extraction: Principal components (Marked loadings are >.700000)	
Variable	Factor 1
Q.26.6	0.136531
Q.26.7	0.311609
Q.26.8	0.505544
Q.26.9	0.248018
Q.26.12	0.525275
Q.26.13	0.294353
Q.26.16	0.133954
Q.26.18	0.440061
Q.26.20	0.576388
Q.26.21	0.525546
Q.26.31	0.469669
Q.26.32	0.694100
Q.26.35	0.443196
Q.26.36	0.432953
Q.26.40	0.606203
Q.26.43	0.236328
Expl.Var	3.124972
Prp.Totl	0.195311

Exploit ingenuity only loaded on to one factor.

## Exploratory Factor Analysis: Holistic understanding

## Plot of Eigen values



## Eigen values

Eigenvalues (Spreadsheet1 in reliability 2007-10-23.stw)				
Extraction: Principal components				
Value	Eigenvalue	% Total variance	Cumulative Eigenvalue	Cumulative %
1	5.240771	21.83654	5.240771	21.83654
2	2.286862	9.52859	7.527633	31.36514

## Exploratory Factor Analysis: holistic understanding

Variable	Factor Loadings (Varimax normalized) (Spreadsheet1 in reliability 2007-10-23.stw) Extraction: Principal components (Marked loadings are >.700000)	
	Factor 1	Factor 2
Q.27.1	0.212355	0.205812
Q.27.4	0.506740	-0.309666
Q.27.5	0.310113	-0.237529
Q.27.6	0.660436	0.362196
Q.27.8	0.485526	-0.031944
Q.27.9	0.518742	0.341416
Q.27.11	0.447023	0.208085
Q.27.12	0.613086	0.084256
Q.27.13	0.641840	0.134300
Q.27.17	0.397415	0.477493
Q.27.18	0.509445	0.319936
Q.27.19	0.095058	0.547152
Q.27.20	0.582916	0.307814
Q.27.21	0.354760	0.013866
Q.27.22	0.111162	0.641633
Q.27.23	-0.073556	0.678832
Q.27.24	0.384047	0.428554
Q.27.25	0.186618	0.612903
Q.27.26	0.105541	0.428533
Q.27.27	0.499840	0.169576
Q.27.28	0.507363	-0.085019
Q.27.29	0.063495	0.471360
Q.27.30	0.069786	0.511281
Q.27.31	-0.046896	0.455627
Expl.Var	3.948454	3.579179
Prp.Totl	0.164519	0.149132

Factor one was renamed “task environment awareness”

Factor two was renamed “gathering and sharing market intelligence”

**APPENDIX 18:****RELIABILITY TESTING OF FOUR NEW ETA CONSTRUCTS**

Planning focus

Summary for scale: Mean=73.0872 Std.Dv.=11.4218 Valid N:149 (Spreadsheet1 in reliability 2008) Cronbach alpha: .843725 Standardized alpha: .848089 Average inter-item corr.: .230265					
variable	Mean if deleted	Var. if deleted	Stdv. if deleted	Item-Totl Correl.	Alpha if deleted
Q.26.1	69.42282	113.9487	10.67468	0.535166	0.831354
Q.26.2	69.03355	117.4016	10.83520	0.455214	0.835402
Q.26.3	68.60403	121.8097	11.03674	0.404334	0.838332
Q.26.4	68.61074	121.3116	11.01415	0.428318	0.837542
Q.26.10	68.92618	117.7731	10.85233	0.456716	0.835416
Q.26.11	69.53691	114.1815	10.68558	0.448427	0.835904
Q.26.15	69.65101	113.2608	10.64240	0.429449	0.837591
Q.26.17	69.24161	117.4450	10.83720	0.417637	0.837050
Q.26.19	69.40939	112.9935	10.62984	0.562949	0.829891
Q.26.22	68.46980	123.5914	11.11717	0.358754	0.840130
Q.26.23	69.44296	118.5286	10.88708	0.292516	0.844515
Q.26.24	68.77853	123.0718	11.09377	0.293153	0.841782
Q.26.25	68.84563	119.4728	10.93036	0.434079	0.836642
Q.26.26	70.59731	116.3076	10.78460	0.363662	0.840734
Q.26.37	68.76510	119.6697	10.93936	0.404843	0.837675
Q.26.38	69.48322	116.9074	10.81237	0.412457	0.837379
Q.26.39	69.15437	110.8419	10.52815	0.629637	0.826267
Q.26.41	70.56376	114.3936	10.69549	0.481436	0.833974
Q.26.45	69.03355	116.0056	10.77059	0.493912	0.833571

## Planning Focus (split half)

Cronbach alpha, full scale: .84373 Standardized alpha: --- (Spreadsheet1 in reliability 2007-10- Corr. 1st & 2nd half: .839919 Attenuation corrected: --- Split-half reliability: .912996 Guttman split-half: .910656		
N=149	Summary 1st Half	Summary 2nd Half
No.Items	10	9
Mean:	39.27517	33.81208
Sum:	5852.000	5038.000
Std.Dv.	6.242681	5.664457
Variance	38.97107	32.08607
Alpha	.7473518	.6543953
ITEMS 1:	Q.26.1	Q.26.2
2:	Q.26.3	Q.26.10
3:	Q.26.4	Q.26.11
4:	Q.26.15	Q.26.19
5:	Q.26.17	Q.26.23
6:	Q.26.22	Q.26.24
7:	Q.26.25	Q.26.26
8:	Q.26.39	Q.26.37
9:	Q.26.41	Q.26.38
10:	Q.26.45	

## Synergistic business development

Summary for scale: Mean=31.0705 Std.Dv.=3.18892 Valid N:156 (Spreadsheet1 in reliability 2 Cronbach alpha: .573638 Standardized alpha: .603292 Average inter-item corr.: .181018					
variable	Mean if deleted	Var. if deleted	Stdv. if deleted	Itm-Totl Correl.	Alpha if deleted
Q.26.14	26.48718	8.698554	2.949331	0.211554	0.562144
Q.26.27	26.55769	8.080006	2.842535	0.207299	0.571442
Q.26.28	26.31410	8.484673	2.912846	0.320888	0.532309
Q.26.29	26.33333	7.927351	2.815555	0.456972	0.490686
Q.26.30	26.53205	7.979742	2.824844	0.351083	0.517076
Q.26.33	27.32692	7.322608	2.706032	0.222769	0.582872
Q.26.46	26.87180	7.163050	2.676388	0.406146	0.488687

## Task environment awareness

Summary for scale: Mean=55.4522 Std.Dv.=6.59394 Valid N:157 (Spreadsheet) Cronbach alpha: .755784 Standardized alpha: .780017 Average inter-item corr.: .217965					
variable	Mean if deleted	Var. if deleted	StdV. if deleted	Item-Tot Correl.	Alpha if deleted
Q.27.1	50.9554	39.9024	6.31684	0.17757	0.76186
Q.27.4	51.6560	37.1173	6.09240	0.29886	0.75256
Q.27.6	51.1082	36.3895	6.03237	0.60726	0.72020
Q.27.8	51.2038	37.8310	6.15069	0.32453	0.74679
Q.27.9	51.2611	35.2375	5.93612	0.50590	0.72520
Q.27.1	50.9681	39.3429	6.27239	0.31064	0.74728
Q.27.1	50.8789	39.0490	6.24892	0.45903	0.73779
Q.27.1	50.7834	39.9913	6.32386	0.47168	0.74131
Q.27.1	51.4203	35.7978	5.98312	0.45911	0.73104
Q.27.2	51.3057	35.5498	5.96236	0.52210	0.72399
Q.27.2	51.6369	37.0337	6.08554	0.27190	0.75821
Q.27.2	51.5095	35.1925	5.93233	0.45798	0.73110
Q.27.2	50.7289	39.8617	6.31261	0.32404	0.74668

## Task environment awareness (split half)



N=157	Cronbach alpha, full scale: .75578 Standardized alpha: --- (Spreadsheet1 in reliability 2007-10- Corr. 1st & 2nd half: .570392 Attenuation corrected: --- Split-half reliability: .726433 Guttman split-half: .681689	
	Summary 1st Half	Summary 2nd Half
	No.Items	8
	Mean:	34.53503
	Sum:	5422.000
	Std.Dv.	4.514263
	Variance	20.37857
	Alpha	.7183730
	ITEMS 1:	Q.27.1
	2:	Q.27.6
	3:	Q.27.9
	4:	Q.27.13
	5:	Q.27.18
	6:	Q.27.20
	7:	Q.27.27
	8:	Q.27.28

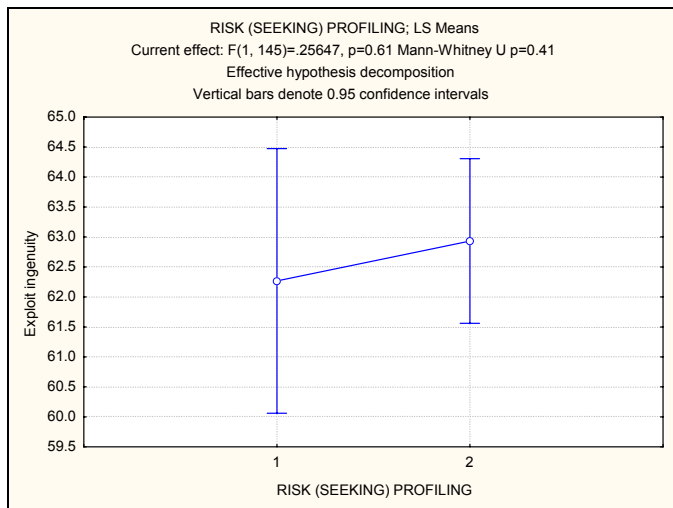
## Gathering and sharing market intelligence

Summary for scale: Mean=30.3896 Std.Dv.=6.23013 Valid N:154 (Spreadsheet1 in reliability 2 Cronbach alpha: .719006 Standardized alpha: .722011 Average inter-item corr.: .248224					
variable	Mean if deleted	Var. if deleted	StDv. if deleted	Itm-Totl Correl.	Alpha if deleted
Q.27.19	26.66234	30.78209	5.548161	0.335730	0.708926
Q.27.22	26.70130	30.18351	5.493952	0.422678	0.688426
Q.27.23	26.92208	28.91600	5.377360	0.462960	0.679331
Q.27.25	26.45455	28.71546	5.358681	0.518554	0.666697
Q.27.26	25.91558	32.35002	5.687707	0.423160	0.691266
Q.27.29	27.20130	32.00494	5.657290	0.325311	0.708187
Q.27.30	26.41558	31.41171	5.604615	0.413122	0.690932
Q.27.31	26.45455	31.31287	5.595790	0.400422	0.693170

**APPENDIX 19:****ANOVA –NON SIGNIFICANT EFFECTS ON DEPENDENT VARIABLES**

Exploit ingenuity | RISK-SEEKING (PROPENSITY) PROFILING

RISK-SEEKING (PROPENSITY) PROFILING; LS Means



RISK-SEEKING (PROPENSITY) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)

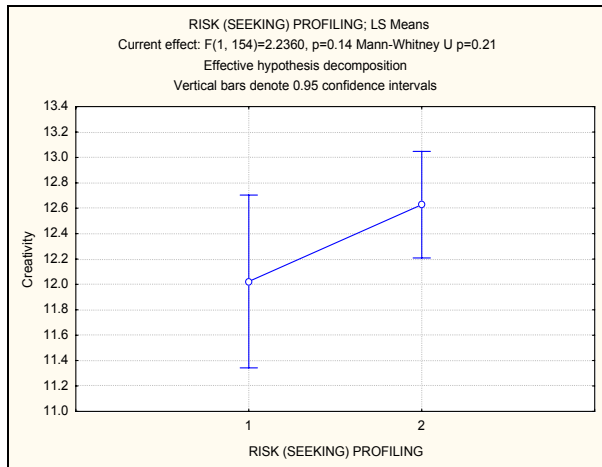
RISK (SEEKING) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)					
Current effect: $F(1, 145) = .25647, p = .61332$					
Effective hypothesis decomposition					
Cell No.	RISK (SEEKING)	Exploit ingenuity Mean	Exploit ingenuity Std.Err.	Exploit ingenuity -95.00%	Exploit ingenuity +95.00%
1	1	62.26829	1.116177	60.06221	64.47437
2	2	62.93396	0.694180	61.56194	64.30598

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)					
Effect	Level of Factor	N	Exploit ingenuity Mean	Exploit ingenuity Std.Dev.	Exploit ingenuity Std.Err
Total		147	62.74830	7.128799	0.587973
RISK (SEEKING) PROFILING	1	41	62.26829	6.546084	1.022327
RISK (SEEKING) PROFILING	2	106	62.93396	7.363059	0.715164

## Creativity | RISK-SEEKING (PROPENSITY) PROFILING

## RISK-SEEKING (PROPENSITY) PROFILING; LS Means



## RISK-SEEKING (PROPENSITY) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)

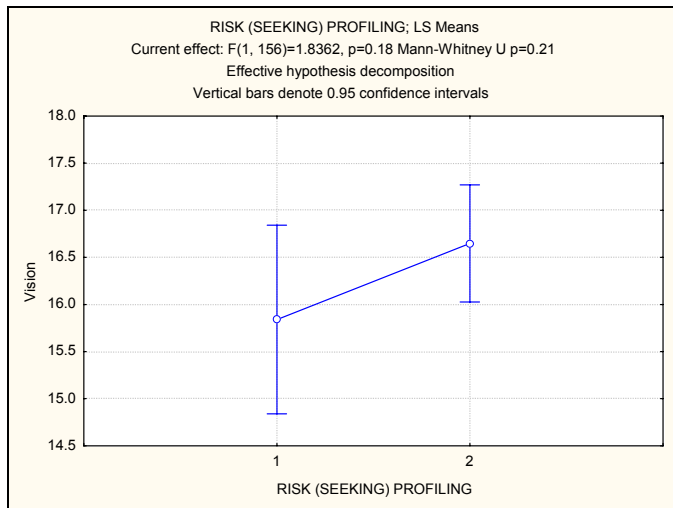
RISK (SEEKING) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)						
Current effect: $F(1, 154)=2.2360, p=.13688$						
Effective hypothesis decomposition						
Cell No.	RISK (SEEKING)	Creativity Mean	Creativity Std.Err.	Creativity -95.00%	Creativity +95.00%	N
1	1	12.02326	0.344383	11.34293	12.70358	43
2	2	12.62832	0.212440	12.20865	13.04799	113

## Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)							
Effect	Level of Factor	N	Creativity Mean	Creativity Std.Dev.	Creativity Std.Err	Creativity -95.00%	Creativity +95.00%
Total		156	12.46154	2.267255	0.181526	12.10295	12.82012
RISK (SEEKING) PROFILING	1	43	12.02326	2.540045	0.387353	11.24155	12.80497
RISK (SEEKING) PROFILING	2	113	12.62832	2.143073	0.201603	12.22887	13.02777

## Vision | RISK-SEEKING (PROPENSITY) PROFILING

## RISK-SEEKING (PROPENSITY) PROFILING; LS Means



## RISK-SEEKING (PROPENSITY) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)

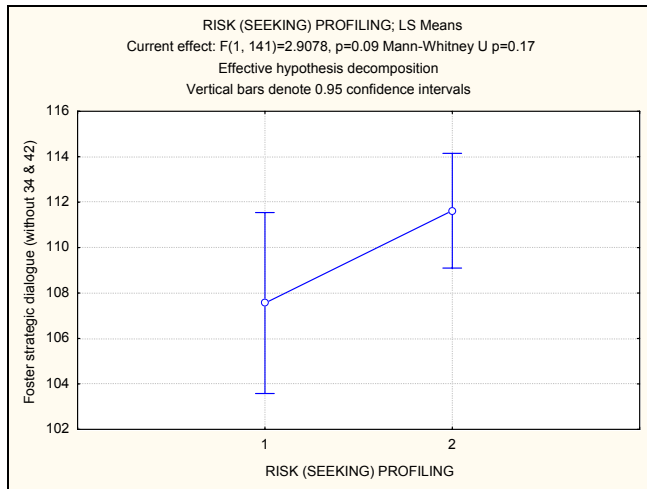
RISK (SEEKING) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)						
Current effect: $F(1, 156)=1.8362$ , $p=.17736$						
Effective hypothesis decomposition						
Cell No.	RISK (SEEKING)	Vision Mean	Vision Std.Err.	Vision -95.00%	Vision +95.00%	N
1	1	15.84091	0.506636	14.84016	16.84166	44
2	2	16.64912	0.314753	16.02740	17.27085	114

## Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)							
Effect	Level of Factor	N	Vision Mean	Vision Std.Dev.	Vision Std.Err	Vision -95.00%	Vision +95.00%
Total		158	16.42405	3.369580	0.268069	15.89456	16.95354
RISK (SEEKING) PROFILING	1	44	15.84091	3.691242	0.556476	14.71867	16.96315
RISK (SEEKING) PROFILING	2	114	16.64912	3.225952	0.302138	16.05053	17.24771

## Foster strategic dialogue (without 34 and 42) | RISK-SEEKING (PROPENSITY) PROFILING

## RISK-SEEKING (PROPENSITY) PROFILING; LS Means



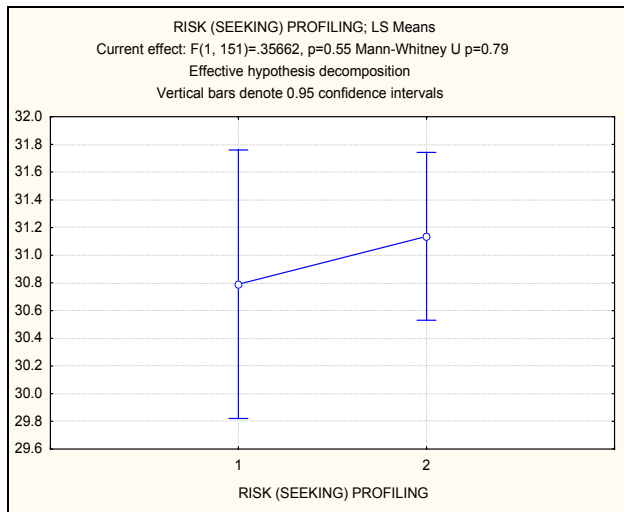
## RISK-SEEKING (PROPENSITY) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)

RISK (SEEKING) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)					
Current effect: $F(1, 141)=2.9078$ , $p=.09036$					
Effective hypothesis decomposition					
Cell No.	RISK (SEEKING) PROFILING	Foster strategic dialogue (without 34 & 42) Mean	Foster strategic dialogue (without 34 & 42) Std.Err.	Foster strategic dialogue (without 34 & 42) -95.00%	Foster strategic dialogue (without 34 & 42) +95.00%
1	1	107.5610	2.014046	103.5793	111.5421
2	2	111.6275	1.276913	109.1031	114.1519

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)					
Effect	Level of Factor	N	Foster strategic dialogue (without 34 & 42) Mean	Foster strategic dialogue (without 34 & 42) Std.Dev.	Foster strategic dialogue (without 34 & 42) Std.Err
Total		143	110.4615	12.98253	1.085654
RISK (SEEKING) PROFILING	1	41	107.5610	14.86783	2.321965
RISK (SEEKING) PROFILING	2	102	111.6275	12.02631	1.190782

## Synergistic business development | RISK-SEEKING (PROPENSITY) PROFILING

## RISK-SEEKING (PROPENSITY) PROFILING; LS Means



## RISK-SEEKING (PROPENSITY) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)

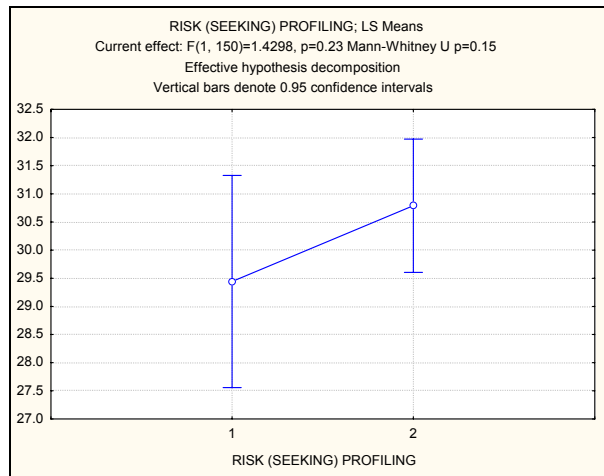
RISK (SEEKING) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)						
Current effect: $F(1, 151) = .35662$ , $p = .55128$						
Effective hypothesis decomposition						
Cell No.	RISK (SEEKING)	sustainability Mean	sustainability Std.Err.	sustainability -95.00%	sustainability +95.00%	N
1	1	30.79070	0.490801	29.82097	31.76042	43
2	2	31.13636	0.306862	30.53007	31.74266	110

## Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)						
Effect	Level of Factor	N	sustainability Mean	sustainability Std.Dev.	sustainability Std.Err	sustainability -95.00%
Total		153	31.03922	3.211579	0.259641	30.5262
RISK (SEEKING) PROFILING	1	43	30.79070	3.622405	0.552412	29.6758
RISK (SEEKING) PROFILING	2	110	31.13636	3.048469	0.290660	30.5602

## Gathering and sharing market intelligence | RISK-SEEKING (PROPENSITY) PROFILING

### RISK-SEEKING (PROPENSITY) PROFILING; LS Means



### RISK-SEEKING (PROPENSITY) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)

RISK (SEEKING) PROFILING; LS Means (Spreadsheet1 in reliability 2007-10-23.stw)						
Current effect: $F(1, 150)=1.4298$ , $p=.23369$						
Effective hypothesis decomposition						
Cell No.	RISK (SEEKING) PROFILING	customer processes	customer processes	customer processes	customer processes	N
1	1	29.44186	0.954041	27.55677	31.32695	43
2	2	30.78899	0.599222	29.60498	31.97300	109

### Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)

Descriptive Statistics (Spreadsheet1 in reliability 2007-10-23.stw)							
Effect	Level of Factor	N	customer processes	customer processes	customer processes	customer processes	customer processes
Total		152	30.40789	6.264961	0.508155	29.40388	31.41191
RISK (SEEKING) PROFILING	1	43	29.44186	5.234057	0.798186	27.83106	31.05267
RISK (SEEKING) PROFILING	2	109	30.78899	6.610980	0.633217	29.53384	32.04414